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PROUD PAST BRIGHT FUTURE



CANADA MORTGAGE AND HOUSING CORPORATION

2005 Annual Report

Canada

60 YEARS
ANS

CMHC SCHL
HOME TO CANADIANS

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OUR MANDATE

The promotion of:

- housing construction, repair and modernization;
- housing affordability and choice;
- improvements to overall living conditions;
- the availability of low-cost financing; and
- the national well-being of the housing sector.

FORWARD LOOKING STATEMENTS

CMHC's Annual Report contains forward-looking statements regarding objectives, strategies and expected financial results. There are risks and uncertainties beyond the control of CMHC that include, but are not limited to, economic and financial conditions globally, and regulatory conditions nationally and internationally.

These factors, among others, may cause actual results to differ substantially from the expectations stated or implied by forward-looking statements.

CMHC, A FEDERAL CROWN CORPORATION, IS CANADA'S NATIONAL HOUSING AGENCY.

In support of our three corporate objectives, we were engaged in a wide variety of activities in 2005 aimed at helping Canadians meet their housing needs.

Objective One WE HELP CANADIANS IN NEED

- ... by supporting the Affordable Housing Initiative with the provinces and territories to commit 25,000 units to date
- ... by investing \$1.7 billion to assist over 633,000 households who live in social housing
- ... by financially assisting 22,000 low-income households with housing renovation and repair
- ... by reducing or eliminating mortgage insurance premiums on affordable housing projects
- ... by committing new funds to reduce the current shortage of suitable housing on reserve
- ... by working closely with First Nations, Métis and Inuit people to build housing capacity

Objective Two WE FACILITATE ACCESS TO MORE AFFORDABLE BETTER QUALITY HOUSING FOR ALL CANADIANS

- ... by facilitating access to low cost mortgages by approving 746,000 mortgage loan insurance applications
- ... by lowering mortgage insurance premiums by 15% for first-time homebuyers with a five per cent down-payment
- ... by continuing to introduce innovations like our new mortgage insurance product for energy-efficient homes
- ... by guaranteeing more than \$30 billion in mortgage-related securities to ensure a steady supply of low-cost funds for mortgage lending
- ... by providing objective and reliable information through housing related research and housing market conferences

Objective Three WE ENSURE THE CANADIAN HOUSING SYSTEM REMAINS ONE OF THE BEST IN THE WORLD

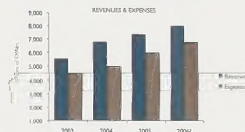
- ... by advising the Government of Canada on matters of housing policy
- ... by creating a vision for a healthy, sustainable future as promoted through initiatives such as the Net-Zero Energy Healthy Housing demonstration project
- ... by partnering with Canadian exporters in the housing industry and promoting Canadian solutions in markets around the world
- ... by ensuring CMHC remains a strong organization, able to fulfil our mandate

FINANCIAL PERFORMANCE	2003 ACTUAL	2004 ACTUAL	2005 ACTUAL	2005 PLAN
Total Assets (in millions of dollars)*	59,925	81,008	101,093	88,588
Total Liabilities (in millions of dollars)*	57,449	77,582	96,665	84,430
Total Equity (in millions of dollars)	2,476	3,426	4,428	4,158
Total Revenues (in millions of dollars)*	5,563	6,560	7,334	7,069
Total Expenses (in millions of dollars)	4,556	5,161	5,870	5,859
Net Income After Income Taxes (in millions of dollars)	667	950	1,002	817
Staff Years	1,799	1,814	1,804	1,902

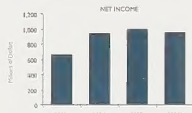
* Historical values and plans have been restated to show the consolidation of Canada Housing Trust which took effect on 1 January 2005.

We managed our business well, successfully extending the reach and benefit of our programs, while generating value for Canada and Canadians.

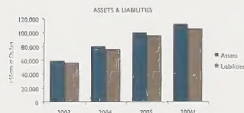
We expanded our business, while prudently managing our expenses



Business excellence and favourable economic conditions helped **bolster net income**



As a result, Equity of Canada **increased by 29%**





IN 2006, CANADA MORTGAGE AND HOUSING CORPORATION CELEBRATES 60 YEARS OF SERVICE TO CANADIANS.

Sixty years ago, CMHC opened its doors as Canada's national housing agency to welcome home the soldiers returning from World War II. Since that time, we have helped hundreds of thousands of Canadians to access decent, affordable housing through a host of programs, policies and initiatives.

The 1940s: A new beginning for housing in Canada

CMHC is established to house returning war veterans. Prime Minister Mackenzie King incorporates the Central Mortgage and Housing Corporation by Act of Parliament.

The 1950s: From home building to community building

CMHC evolves from home builder to community builder through new loan insurance and public housing projects.

The 1960s: The renaissance of Canada's cities

CMHC shifts its focus to municipal planning and development to help cities deal with rapid urban growth.

The 1970s: Focus on social housing

CMHC plays an important role in social housing. CMHC helps low-income people attain homeownership, helps maintain existing housing stock, preserves historic neighbourhoods, and addresses Aboriginal housing needs.

The 1980s: Laying a new foundation for quality and affordability

In response to dramatic shifts in Canada's economy, CMHC offers loan programs to make homeownership more accessible.

The 1990s: A new era for building science

CMHC helps develop and share information on new building technology to address indoor air quality, moisture and environmental sensitivity. CMHC fosters public/private cooperation in housing projects, introduces email, an automated insurance underwriting system, and expands its activities internationally.

2000 and beyond: Leading the way home

CMHC remains committed to helping Canadians access a wide choice of safe, quality, affordable homes, and making vibrant and sustainable communities and cities a reality across the country. CMHC is truly home to Canadians.

MISSION

Promote housing quality, affordability and choice for Canadians

VALUES

Integrity at Work

We lead by example, we honour our obligations, and are committed to:

physical and human resources entrusted to our care. We encourage learning, innovation and personal initiative to continuously improve the way we do business and achieve the best possible results for the Canadian public.

Serving the Public Interest

As stewards of the public trust we serve with fairness, impartiality and objectivity. All of our activities, including those that are commercial in nature, are carried out in support of our public policy objectives. Our actions are inspired by a respect for human dignity and the value of every person.

Building a Workplace Community

We practice mutual respect and honesty in our working relationships. We help each other to achieve the goals of the team and the organization, and to maintain a healthy balance between our CMHC work and the other parts of our lives.

Achieving Business Excellence

We exercise the highest standards of competence, trustworthiness and prudence in conducting our business relationships and in managing the financial,

We willingly explain our actions so that we may hold ourselves, and each other, accountable for living these values in the workplace.

MESSAGES

Message from the Chairman

Message from the President

MESSAGE FROM THE CHAIRMAN

Governance. Every annual report these days — and this one is no exception — features this word front and centre. Why is governance so important? Simply put, good governance means long-lived, well-managed corporations that create value for the people who have a stake in them.

At CMHC, we are celebrating 60 years of good management; of financial prudence; of care and respect for our employees, the environment and our communities; of strong corporate values that have guided us through good and through troubled times; and, most importantly, of making a significant and meaningful difference in the everyday lives of Canadians.

Since 1946, we have continuously served the public interest by helping hundreds of thousands of Canadians who look to us for housing solutions. Simultaneously we have long been recognized for our reliable, effective and prudent governance practices. I, the members of the Board of Directors, the executive of the Corporation and all current and past CMHC employees are proud of our 60-year history of serving Canadians to the very best of our abilities.

Underlying our ability to serve the public interest is our knowledge and credibility. We know housing. What better demonstration can there be of this than the fact that increasingly the rest of the world is looking to Canada and CMHC to help improve their housing systems. We also know Canada. Over our 60 year history, we have been in every community in this nation and dealt with Canadians from all walks of life. We understand the realities, the issues, the challenges as well as the successes of housing in Canada.

In 2005, we continued our tradition of listening to Canadians with our involvement in national consultations on the direction forward for housing policy. We also worked closely with our provincial and territorial partners to develop housing solutions that resulted in signed agreements with all 13 provinces and territories under the Affordable Housing Initiative. Through the active involvement of these partners, we will jointly deliver and cost share phase II of the initiative and will increase the supply of affordable housing across the country. We listened to our stakeholders and made mortgages for affordable housing projects easier and cheaper to obtain. We leveraged our relationships within government and industry to launch a partnership aimed at dramatically reducing the amount of energy new homes use.



All of these accomplishments were founded on our commitment to business excellence. Through innovation and sound financial management, CMHC has long been a pillar of housing finance in Canada. We are the leading mortgage insurer and mortgage securitizer. Because of us, Canadians looking to buy or sell a home know that a well-functioning mortgage financing system is there to support them. As a result, hundreds of thousands of Canadians have gained access to homeownership sooner and more economically because of CMHC.

At the core of all of our accomplishments, from January 1, 1946 to today, is the strong workplace community we have built at CMHC. We hold ourselves and each other accountable to get the job done in a manner that is consistent with our ethical values. In the pages that follow, you will find more detailed accounting of our 2005 objectives and targets, which stemmed directly from the priorities and accountabilities given to us by the Government of Canada. You will also find an analysis of our strengths, challenges and risks, as well as details on our stewardship of the public resources entrusted to us. We will tell you about the systems that we have in place to manage our business effectively and the priorities we have set going forward.

While we have achieved many successes and continue to play a key role in creating the high quality of housing in Canada, we also recognize that we have serious challenges to address. We need only consider the state of housing on reserve or the numbers of families without affordable housing or the incidence of homelessness to understand much more needs to be done before we can be assured that all Canadians enjoy the benefits of a well-housed nation.

Looking forward, I would like to welcome the Board members who joined us this year: Harold Calla, who brings financial management experience and direct involvement in Aboriginal governance to our Board; Gary Mooney, with significant experience both as a lawyer and in the insurance sector; and Alexander Werzberger with over 40 years experience as a builder and land developer. I would also like to thank the members who completed their terms in 2005 for their outstanding contribution to CMHC: Michel Bérubé and Grace Kwok.

Throughout our history, we have shown our ability to adapt to current realities, to influence others to contribute what they can and how they can to improving housing and living conditions in Canada. As we celebrate 60 years as Canada's national housing agency, I have every confidence that we will continue to display the many attributes that have made CMHC the strong organization that it is: creativity, commitment, dedication, an ability to stay the course when needed and the vision to set new directions when challenges warrant.



Dino Chiesa
Chairman of the Board

MESSAGE FROM THE PRESIDENT

OUR LEGACY — PROUD PAST

Sixty years ago, CMHC opened its doors as Canada's national housing agency to welcome home the soldiers returning from World War II. Since that time, we have helped hundreds of thousands of Canadians to access decent, affordable housing through a host of programs, policies and initiatives. As we celebrate our 60th anniversary, we take pride in knowing that we have helped create Canada's high standard of housing and a quality of life that is the envy of the world.

From its beginnings as Central Mortgage and Housing Corporation, CMHC's mission has been guided by a desire to improve the lives of Canadians through good quality housing. Through the decades, we have evolved and adapted to meet changing needs. But while our product and service offering changed through the years, we have never lost sight of our fundamental purpose — to promote housing quality, affordability and choice for Canadians.

Together with other housing stakeholders, we have been helping to ensure that Canada maintains one of the best housing systems in the world. The hallmarks that have made the Corporation a success — a sense of mission, a commitment to excellence, dedication to serve and pride in achievement — have been the driving force behind the accomplishments we are showcasing in this annual report.

OUR ACHIEVEMENTS

In 2005, CMHC achieved significant results in each of our three corporate objectives. The accomplishments we are presenting in this report build on our past successes, demonstrate our commitment to serving the people of Canada in a responsible, progressive and transparent manner, and lay the foundation for our future efforts as we take on the challenges that remain.

Helping Canadians in need

One of our most important objectives is to help Canadians who are unable to afford safe, adequate housing on their own. We continue to work with our provincial and territorial partners to develop more affordable housing options for low-income Canadians through our Affordable Housing Initiative, with about \$175 million expended in 2005, and through innovative uses of our programs. On behalf of the Government of Canada, we manage more than \$2 billion dollars in annual housing expenditures, including ongoing subsidies that assist over 633,000 households.

In 2005, we committed financial assistance to almost 22,000 low-income households to help with needed housing repairs. Through our knowledge of the financing and management of affordable housing, we contributed to the development of almost



2,400 affordable housing units with little or no federal subsidy. We use seed funding and proposal development funding to increase the capacity of the housing sector to create new affordable housing options in the future.

One area of particular note in 2005 was our collaborative work with National Aboriginal Organizations and other federal partners to address Aboriginal housing issues and create more and better housing opportunities for Aboriginal Canadians. I was pleased to see that a new level of consensus on the direction forward is emerging and the growing commitment to using measurable targets to evaluate progress.

CMHC has been a catalyst in the effort to create more private market-like housing conditions on reserve for those individuals who can financially support the cost of homeownership. In 2005, we signed the first on-reserve Homeownership Loan Insurance pilot agreement with the Nak'azdli Band Council of northern British Columbia. This is a ground breaking risk-sharing venture that strives to create homeownership opportunities for members of the Band. Aboriginal housing and capacity development will continue to be a key priority for CMHC in 2006 as we contribute, both in the short and long term, to improving housing and living conditions for Aboriginal Canadians.

Facilitating access to more affordable, better quality housing for all Canadians

Our housing finance business represents another significant area of achievement in continuing to serve Canadians well.

In 2005, we introduced a number of enhancements to mortgage loan insurance products, including lowering homeowner premiums for the second time in two years and waiving premiums for certain types of affordable rental housing, both of which help to improve access to housing. CMHC again achieved record volumes of insurance business. We are committed in 2006 to continuing our leadership and ensuring our mortgage insurance products and services meet the changing needs of Canadians. Our efforts to ensure an abundant supply of low-cost funds for residential lending through our Mortgage-Backed Securities and Canada Mortgage Bonds programs also met with great success.

As a result of our housing finance activities, we now have \$273.7 billion of insurance in force and total securitization guaranties in force of \$103.7 billion.

In accordance with new Canadian Institute of Chartered Accountants Accounting Guideline 15 (AcG-15), we are presenting the consolidated financial statements of CMHC and the Canada Housing Trust. Consolidation of the Canada Housing Trust, an independent trust that issues the Canada Mortgage Bonds which CMHC guarantees, results in an increase in consolidated assets and liabilities of \$72.8 billion, and an increase in revenues and expenses of \$2.6 billion.

Going forward, we are well aware that pivotal changes are underway for the financial services sector in Canada. As a key player in the housing finance industry, CMHC is actively preparing for anticipated regulatory and competitive changes that have the potential to significantly impact our business environment and the way we approach our business. We will continue to examine possible impacts and how best to position our mortgage insurance and securitization activities to ensure we are able to respond to the challenges and opportunities ahead.

Ensuring the Canadian housing system remains one of the best in the world

In 2005, we devoted a great deal of effort to consultations with a host of partners and players in the housing sector to gain a better understanding of the diversity of housing needs in Canada, with a view to developing a new national housing strategy. We followed up with research, analysis and policy development to explore possible options.

Canada's high standard of housing and our housing expertise — both financial and technical — are eagerly sought after by many countries. In 2005, we continued our tradition of working in the international arena to help improve housing conditions around the world. Our international efforts have provided significant help to the Canadian housing industry to access export markets and this activity has contributed to strengthening the domestic economy.



Our focus on sustainability issues builds on our long-standing commitment to foster the development of sustainable housing and communities. To support this focus, we introduced mortgage loan insurance premium refunds for Energy Efficient Homes, and we are also undertaking two insurance pilot projects to support brownfield redevelopments. We are also leading the Net Zero Energy Healthy Housing Initiative to facilitate the integration of net-zero energy home demonstrations into sustainable planned communities across Canada.

With regard to our internal environment, CMHC has long recognized that our greatest strength is our employees. We continue to update our human resources programs, policies and practices to ensure our employees have the tools and skills they need to accomplish their jobs and make their best contribution. In 2005, we focused on succession management as a means of building our bench strength. We also completed the roll-out of our ethics awareness initiative to ensure that every member of the Corporation has the same appreciation and knowledge of the values that guide our activities.

LOOKING FORWARD TO A BRIGHT FUTURE

CMHC employees have always been motivated by the desire to create lasting value for their fellow Canadians. That commitment is visible in the high standard of housing we now enjoy in Canada. As we celebrate 60 years of achievements in 2006, we are also looking keenly at the future and to the opportunities to make an even greater contribution to improving housing and living environments for Canadians.

A key focus in 2006 and beyond will be in finding new and better approaches to help Canadians in need, approaches that respond to Canadian values of fairness, while recognizing the diversity of need and the range of capacity to meet that need in Canada. Particular emphasis will continue to be placed on the unique challenges facing Aboriginal Canadians, where we will use all the tools at our disposal, including maximizing the impact of housing subsidies, transferring needed skills and expertise and developing market-like conditions where possible.

In the area of housing finance, we will be setting the longer term direction for our existing mortgage insurance and securitization tools in light of the changes in the financial services industry, while continuing to bring innovations to the market that continue to improve housing access and serve Canadians well. Market analysis and housing information will continue to be key tools in bringing housing solutions to Canadians and we will adapt our products in these areas, as we gain an even greater understanding of client needs.

CMHC will remain committed to promoting sustainable housing and communities domestically and to supporting and promoting Canada's world-class housing products, services and systems internationally. We have much to share with the world and much to learn from others and we look to the World Urban Forum and the 26th World Congress of the International Union for Housing Finance, both of which will be held in Vancouver this year, as excellent opportunities to do that.

Finally, we understand that we need to be a strong, effective organization in order to fulfill the accountabilitys entrusted in us by the Government of Canada. We continue to look to leading edge human resources practices, modern financial and risk management techniques, a strong technology platform and a sound governance framework to help us accomplish that.

We do not have all the answers, nor do we believe that we can solve critical housing issues alone. As we have done for six decades, in 2006 we will call upon the expertise of our many partners and stakeholders, and the commitment and dedication of our employees, to work toward our dream that every Canadian will have a safe, affordable place to call home.



Karen Kinsley
President and Chief Executive Officer



CORPORATE GOVERNANCE

Board of Directors

Corporate Governance Practices

Committees of the Board of Directors

Focus on Values and Ethics

CORPORATE GOVERNANCE

Good corporate governance is at the heart of all of CMHC's activities and successes. It has been a hallmark of our way of doing business since we first opened our doors in 1946. And it is the guiding principle that will stand us in good stead as we continue to build on our 60-year legacy of providing value to Canadians. This ongoing commitment to ensuring a strong and relevant governance framework means prudent and efficient management of corporate resources, and transparent disclosure and accountability to Canadians.

BOARD OF DIRECTORS

Board Mandate

CMHC is a Crown corporation, reporting to the Parliament of Canada through a Minister, and governed by a Board of Directors which is accountable for the overall corporate governance of CMHC. The Board of Directors manages the affairs of the Corporation and the conduct of its business in accordance with the *CMHC Act*, the *National Housing Act*, the *Financial Administration Act* and the governing by-laws of CMHC. As stewards of the Corporation, the Board of Directors sets the strategic direction of the Corporation, provides housing policy advice to the Minister, ensures the

integrity of corporate policies and business processes, identifies and manages the key corporate risks, and evaluates the Corporation's overall performance.

In order to continue to promote effective accountability, CMHC's Board is currently undertaking a review of its charter and committee terms of reference to ensure that they clearly define the roles and responsibilities of the Board and committees, meet the Government of Canada's expectations and are reflective of best practices in corporate governance. The Board Charter and committee terms of reference will be published on CMHC's website in 2006 in order to further promote accountability and transparency.



From left to right: Sophie Joncas, Louis Ranger, Alexander Werzberger, Gary Mooney, Dino Chiesa, Karen Kinsley, Roberta Hayes, Harold Calla, Catherine C. Cronin, and Hugh Heron.

Board Composition and Appointment Process

CMHC's Board of Directors is comprised of 10 Directors: the Chairman of the Board, the President and Chief Executive Officer, and eight other members. With the exception of the President and CEO, all CMHC Directors are independent of management. Appointments to CMHC's Board of Directors follow the Governor in Council appointment process and procedures, and are typically for a term of three years.

In 2004, in accordance with the Government of Canada's new selection process, a Nominating Committee was established to ensure active Board participation in the selection of the Chairperson and the Chief Executive Officer.

The Board's overall renewal process is designed to ensure that the composition of the Board reflects the types of clients CMHC serves, as well as a proper balance of key criteria, including previous experience and service on boards, gender, ethnicity, geographical representation, representation of Canada's urban and rural population and understanding of Aboriginal housing needs.

Orientation and Continuing Education

In 2005, all newly-appointed Board members attended a two-day orientation session with CMHC's senior management team. On an ongoing basis, the Board members are kept informed of the Corporation's operations at meetings of the Board and its committees, and through reports and analyses by, and discussions with, management. Board members are also encouraged to attend other training events that will enhance their skills, performance and contributions to the Board.

Each year, two of the regularly scheduled Board meetings are held in different locations across the country to provide the Board with the opportunity to meet directly with CMHC's employees, clients, partners and stakeholders, and to become better acquainted with regional issues. In 2005, the cities of Toronto and Edmonton-Fort McMurray hosted the Board, offering them an insider's look at the housing issues, challenges and successes of these vibrant communities. Various members of the Board have also participated in corporate events across the country, including regional Housing Outlook Conferences, project openings under the Affordable Housing Initiative, and consultations on a national housing strategy.

Assessment Process

The Board is currently reviewing its assessment process to ensure alignment with Government of Canada expectations and industry best practices. In the past, the Board of Directors has conducted a self-assessment of their performance as a whole. In 2006, the Board self-assessment tool will be refined and a new self-assessment tool will be introduced to enable directors to assess their own individual performance.

CORPORATE GOVERNANCE PRACTICES

Corporate governance is a shared responsibility, engaging the Board of Directors, senior management, and all employees in ensuring that our operations are carried out in a manner that reflects our corporate integrity and values. Our governance practices transcend all aspects of our operations and are designed to ultimately ensure that we are a responsible organization, effectively using our resources to bring the best possible value to Canadians.

Strategic Planning Process

Establishing the strategic direction for the Corporation is the foundation for fulfilling the Board's governance responsibilities. The key tool for direction setting is the annual corporate plan process. The Board of Directors provides guidance to the Corporation at the outset of the planning cycle. The Board's input into the process reflects the direction provided by the Minister in support of the Government of Canada's current priorities. Therefore, the Board of Directors guides our senior management team as we translate the federal government's public policy objectives into programs and services designed to enhance the quality of life of Canadians.

FOLLOW-UP ON THE 2004 SPECIAL EXAMINATION

During 2004, the Corporation's external auditors conducted a statutorily required Special Examination — a form of performance audit undertaken every five years. The joint examiners produced a balanced report that included positive findings about CMHC's systems and practices, as well as areas for improvement. Based on all of the findings, there were no significant deficiencies reported and CMHC was issued a "clean" opinion for the fourth time in as many Special Examinations. The report is available on CMHC's website, **www.cmhc.ca**.

The Special Examination noted three areas for improvement related to issues of corporate governance and performance measurement. Management has taken the following actions to address these:

- Completed an external review of Board committees' mandate, and began implementation of resulting recommendations.
- Completed the initiative that was underway to communicate CMHC's values and ethics statement throughout the Corporation.
- Enhanced reporting of CMHC's corporate performance framework to ensure balanced measurement and clear linkage between financial and non-financial information, and incorporated explicit outcome statements in relation to each corporate objective in the 2006–2010 corporate plan.

In 2005, the Board of Directors was involved in the recasting of CMHC's overarching corporate objectives. For several years, CMHC's priorities were structured around four corporate objectives which focused on housing choice and affordability, housing and living conditions, housing sector well-being, and organizational effectiveness. In 2005, based on the direction provided by the Minister and the Board, CMHC's corporate objectives and strategic priorities were recast as follows to better reflect ongoing business and key client groups and to facilitate enhanced alignment of CMHC's business and financial plans: 1) Help Canadians in Need; 2) Facilitate Access to More Affordable, Better Quality Housing For All Canadians; and 3) Ensure the Canadian Housing System Remains One of the Best in the World.

The Board of Directors remains involved throughout the planning process, reviewing the corporate plan on two occasions before recommending the plan to the Minister for approval by the Governor in Council. Following approval of the corporate plan, the Board is actively involved in verifying follow through on the plan. The Board receives quarterly reports from management on progress against key objectives in the corporate plan, enabling it to monitor the Corporation's progress and ensure that appropriate actions are taken to meet the corporate objectives.

Integrity of Internal Control and Management Information Systems

As part of its stewardship responsibilities, the Board of Directors, with the help of the Audit Committee, works with CMHC's internal auditors to ensure the integrity of the Corporation's internal control and management of information systems. The Board is committed to financial transparency and closely examines all current and potential implications of new and proposed accounting guidelines and industry practices to ensure continued fair presentation of CMHC's financial situation.

In 2005, CMHC's audit committee oversaw Management's review and analysis of the accounting guideline on entities not controlled through ownership. This guideline became effective for the first time in 2005 for CMHC and its application resulted in the accounting consolidation of the Canada Housing Trust, an independent trust that issues the Canada Mortgage Bonds (CMB) that are guaranteed by CMHC.

The consolidation of the Canada Housing Trust does not change the Canada Mortgage Bond Program, the nature of the timely payment guarantee provided by CMHC nor the manner in which the Securitization activity of CMHC is governed. Accordingly, the internal control and management information systems that fall under the stewardship of the Board of Directors is limited to the prudent management of the timely payment guarantee provided on Canada Mortgage Bonds. These systems have existed since the inception of the Canada Mortgage Bond Program in 2001.

Succession Planning for Critical Senior Positions

CMHC's Board of Directors underlined its commitment to effective succession management in 2005. The Board was involved in approving a succession management framework to identify vulnerable senior positions within the organization. The Board is informed of any changes in the executive ranks, and plays a role in approving senior appointments within the Corporation, ensuring that appointees possess the qualifications and experience needed to carry out their responsibilities to the Corporation.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board has established four Committees to assist it in exercising its responsibilities: the Corporate Governance Committee, the Audit Committee, the Human Resources Committee and the Nominating Committee. Two members of the Board also serve as trustees of the employee pension fund.

Corporate Governance Committee

The Corporate Governance Committee is responsible for overseeing and advising the Board on all aspects of corporate stewardship. The committee supports the Board in a number of ways, including helping to set corporate strategic direction, ensuring the adequacy and integrity of CMHC's information systems and practices, periodically examining the continued relevance of the Corporation's public policy objectives and legislated mandate, and promoting effective communication with the Government of Canada, other stakeholders and the public. The committee also evaluates the President and CEO's performance, which is directly linked to the achievement of strategic directions set out at the beginning of the annual planning process, and makes recommendations to the Board regarding the President's compensation.

During the year, the committee monitored the Corporation's performance reporting through quarterly corporate performance reports to the Board, providing committee members with timely and balanced information on the achievement of CMHC's objectives and identifying any needed corrective action to assist in the achievement of objectives by year-end. In addition to these functions, the committee will continue to actively monitor the Treasury Board review of the governance framework of Crown corporations in 2006.

Audit Committee

The Audit Committee advises the Board of Directors on the soundness of the financial management of the Corporation, assisting the Board in overseeing internal control systems and financial reporting and audit processes. The Audit Committee provides an open avenue of communication between internal audit, the external auditors and the Board of Directors. The committee reviews the annual external audit plan with the external auditors and regularly meets with them in camera without the presence of management. The Audit Committee also ensures implementation and maintenance by management of appropriate systems of internal control, including management information systems security and controls.

Following a mandate review by PriceWaterhouseCoopers (PWC) in 2004, the Audit Committee assumed responsibility for conducting an annual review of CMHC's funding, investment and management policies to ensure effective measurement, monitoring, control and management of financial risks. Responsibility for the annual review of the enterprise risk management framework and risk landscape has also been transferred to the Audit Committee, effective in 2005.

CMHC and the Board are satisfied that members of the Audit Committee possess the necessary qualifications to fulfill their responsibility to CMHC and the Government of Canada. With the inclusion of a new committee member in 2005, all committee members are deemed to be financially literate: two members hold accounting designations and the third member possesses expertise in financial management. All members of the Audit Committee are independent of management.

Human Resources Committee

The Human Resources Committee oversees corporate policies and strategies related to human resources, and reviews and approves the principles governing recruitment, selection, training, compensation and evaluation. The committee is responsible for reviewing succession planning for the leadership of the Corporation and makes recommendations to the Board regarding the organizational plan, the compensation plan, and the integration of human resources policies and strategies into the corporate plan.

During the year, the committee received an overview of CMHC's demographic profile and reviewed the results of the Corporation's environmental scan. The committee also participated in the update of CMHC's succession management framework to ensure the implementation of effective succession management plans for all critical positions within the Corporation.

Nominating Committee

The Nominating Committee was created in 2004 pursuant to new governance guidelines issued by the federal government. The committee identifies, evaluates and recommends a shortlist of qualified candidates for the Chairman position and the CEO position to the Board for subsequent recommendation to the Minister for appointment by the Governor in Council. The Nominating Committee also advises the Board on matters relating to the composition of the Board and its committees, as well as the criteria for Board membership including experience, attributes and skills. The Committee reviews the existing Board composition on a yearly basis, anticipates openings, reviews skills profiles and advises the Board on recommended changes or procedures.

In 2005, the Committee successfully completed the selection process to fill the vacant Chair position. Following the new process for Governor in Council appointments to Crown corporations, the Committee presented a short-list of candidates to the Minister. The government subsequently announced their intent to appoint Mr. Chiesa to the Chair position. Based on new procedures, the appointment was referred to the Standing Committee on Government Operations and Estimates for review. Mr. Chiesa appeared before the committee prior to the finalization of his appointment in March 2005.

Pension Fund Trustees

The Pension Fund Trustees are responsible for the management and administration of the Pension Fund pursuant to the Trust Agreement. In this function, the Trustees are responsible for setting investment policies and objectives, selecting external investment managers, and monitoring the investment results of the Pension Fund. The Trustees report to the Board of Directors on the performance of the Pension Fund, submit the Pension Plan Annual Report for approval, and recommend changes to the overall investment philosophy of the Pension Fund.

In the past year, the Trustees approved strategies to diversify investments in US equities, and the selection of an external manager to manage a portion of these investments. The Trustees also reviewed the Pension Fund's performance through quarterly reports and appointed an actuary to conduct the actuarial valuation of the Pension Plan as at the end of 2005.



Table of Directors' total compensation and attendance at meetings of the Board, and of Board Committees in 2005

Board Member	Total compensation (fees and honorarium) (\$)	Board of Directors (6 meetings)	Audit Committee (4 meetings)	Governance Committee (2 meetings)	Human Resources Committee (3 meetings)	Nominating Committee (1 meeting)	Pension Fund Trustees (3 meetings)
Dino Chiesa ¹	64,250	6/6		2/2		1/1	
Karen Kinsley	n/a	6/6					3/3
Michel Bérubé ²	7,557	1/2			0/1		
Harold Calla ³	13,673	3/3		1/1			
Catherine Cronin	31,200	6/6	4/4				3/3
Roberta Hayes	31,700	6/6			3/3	1/1	
Hugh Heron ⁴	33,200	6/6	3/3				
Sophie Joncas	34,700	6/6	4/4		2/2		
Grace Kwok ⁵	6,600	2/3		0/1			
Gary Mooney ⁶	13,174	3/3	1/1				
Louis Ranger	n/a	2/6			1/3		
Alexander Werzberger ⁷	15,143	3/4		1/1			

n/a — not applicable as members from the public service are not paid for their service

¹ Chairperson, effective March 2005

² Term ended 13 April 2005

³ Appointed on 2 June 2005

⁴ Audit Committee membership ended fall 2005

⁵ Term ended 1 June 2005

⁶ Appointed on 2 June 2005

⁷ Appointed on 14 April 2005

Travel and hospitality expenses of senior executives are posted on CMHC's website, www.cmhc.ca.

FOCUS ON VALUES AND ETHICS

CMHC has a proud past of service to Canadian society, a longstanding tradition founded on the strong values that have guided our employees since we first opened our doors 60 years ago. We know that our values are one of the strengths of our Corporation. We also know that our future success will depend on our ability to ensure that our values continue to live and flourish. With this in mind, CMHC launched a values and ethics program through the fall of 2004 and spring of 2005.

Our values and ethics program is driven by two objectives: to create an environment where an honest, open dialogue on ethical issues is welcomed and encouraged; and, to help employees feel confident that the decisions they make everyday while fulfilling their responsibilities are consistent with the values of the Corporation and of Canadians.

Ultimately, our shared values, and how we engage employees in these values, are the means through which we ensure that our governance and accountability practices are transacted throughout the Corporation and reflected in all our activities.

OUR STATEMENT OF VALUES

First launched in 2004, the *Our Statement of Values* document was developed through extensive consultation with CMHC employees. Dialogue sessions were held in each region of the country, with individuals working in a wide range of capacities within each of the corporate functional areas. The statement of values was derived directly from the employee dialogue that took place during these sessions, and was confirmed by the senior management team and the Board of Directors. Thus, we are confident that the statement represents who we are — as individuals and as a corporate entity — and articulates what is and should be important in everything we do. The Board, senior management and employees signed the *Our Values in Action* document, committing to live the values in carrying out our various functions and responsibilities.



OUR VALUES IN ACTION

As a result of our long-standing commitment to ethical conduct, CMHC has developed, over time, numerous policies on a wide range of issues related to corporate values and ethical conduct. To assist our employees in understanding the full breadth of CMHC policies and guidelines, the *Our Values in Action* tool was developed as the primary corporate reference for information and assistance in guiding employee conduct. The document provides policy guidance by summarizing the intent of the various policies, and it elaborates on CMHC values through practical case studies that were designed to assist employees in defining acceptable behaviour in a public sector environment. *Our Values in Action* provides guidance on six key areas related to the three corporate values: serving the public interest; preserving the public trust — gifts, hospitality, and invitations; managing sensitive information; fraud and other illegal activities; managing people, workload and work life balance; and managing relationships with others.



CMHC has a long tradition of good corporate governance, a tradition that has ensured accountability and transparency in our business practices for 60 years. We have always understood that we are stewards of the public trust, and we fulfill our mandate in a manner that reflects this responsibility. Our focus on good governance resulted in CMHC being awarded the National Award in Governance in the Public Sector by the Conference Board of Canada/Spencer Stuart in 2002, recognizing our successful implementation of innovations in our governance practices. We have a solid governance framework in place now, and as we move forward, we will continue to look for opportunities to enhance our excellence in governance to ensure we can continue to provide value to Canadians.

INTERNAL DISCLOSURE OF WRONGDOING IN THE WORKPLACE

To complement our suite of ethics tools, we have put in place a policy on internal disclosure of wrongdoing in the workplace. The intent of the policy is to provide employees with an internal process to bring forward information concerning wrongdoing in the workplace, and to ensure that employees are treated fairly and are protected from reprisal when reporting in good faith. Procedures have been established to enable employees to disclose wrongdoing related to a violation of any law or regulation; a misuse of public funds or assets; gross mismanagement; as well as a substantial and specific danger to the life, health and safety of employees, the public or the environment.

In 2005, we introduced a number of initiatives to further integrate the principles of business ethics into programs and training tools. An ethics module that focuses on the role of leaders in fostering dialogue on ethics in the workplace was added to the Fundamentals of Effective Leadership program for first-line supervisors, aspiring supervisors and project leaders. In addition, employees now have access to ethics resources, including *Our Statement of Values*, and *Our Values in Action*, on the corporate intranet, thus ensuring continued awareness of business ethics among our employees.

ETHICS AWARENESS

To assist employees in living up to the commitments implied through *Our Statement of Values*, all employees were required to attend an ethics awareness session. In addition to introducing the corporate statement of values and the related *Our Values in Action* resource, the sessions were designed to engage employees in a dialogue, through the use of pertinent case studies, to help them understand the relationship between values, judgement and action. To date, 98% of CMHC employees have participated in an ethics awareness session.

NEXT STEPS

In 2006, CMHC will continue to encourage awareness of ethics in the workplace by introducing several new initiatives, including ethics awareness sessions for new employees, lunch and learn sessions, and new case studies. In addition, the launch of conflict resolution workshops for managers and employees in 2006 will provide tools to help us deal with conflict in a respectful, understanding and open manner.

BOARD OF DIRECTORS LISTING (as at 31 December 2005)

Dino Chiesa

Chairman of the Board

Mr. Chiesa is Vice-Chair of the Board of Trustees of CAP REIT, one of Canada's largest owners of multi-family rental communities. Prior to this, he was the President and CEO of RESREIT, Assistant Deputy Minister of Ontario's Ministry of Municipal Affairs and Housing, and CEO of the Ontario Housing Corporation and Ontario Mortgage Corporation, and a CMHC employee from 1975 to 1987. He has been a member of the Board since June 2001 and was appointed Chairman of the Board of Directors in March 2005.

Karen Kinsley, CA

President and Chief Executive Officer

Karen Kinsley joined CMHC in 1987, has held a variety of positions in senior management, and was appointed President and Chief Executive Officer in June 2003.

Harold Calla, CGA, CAFM

North Vancouver, British Columbia

Harold Calla holds a number of positions with the Squamish Nation, including Chair — Economic Development/Land Management, Treaty Committee member, and Chair of the Finance Sub-committee. He was appointed to the Board of Directors in June 2005.

Catherine C. Cronin, CA

Winnipeg, Manitoba

Catherine Cronin is a chartered accountant who is currently active in several community organizations in the Winnipeg area. She was appointed to the Board of Directors in September 2003.

Roberta Hayes

Moncton, New Brunswick

Roberta Hayes is co-owner and manager of HomeLife Hayes Realty. Ms. Hayes was formerly the President and a director of the Greater Moncton Real Estate Board, as well as a director of both the New Brunswick Real Estate Association and the Canadian Real Estate Association. Roberta Hayes was appointed to CMHC's Board of Directors in October 2003.

Hugh Heron

Schomberg, Ontario

Hugh Heron is Principal and Partner of the Heron Group of Companies and President of Heron Homes Corporation. He is a past president of both the Toronto Home Builders' Association and the Ontario Home Builders' Association. Mr. Heron was appointed to the Board of Directors in June 2001.

Sophie Joncas, CA

Saint-Hubert, Quebec

Sophie Joncas is an accounting practitioner and an Administrator with Production Quarters, a television production company, and is a professor of economics and finance at the Académie de l'entrepreneuriat québécois inc. Ms. Joncas has served on the Board of Directors since August 2001.

Gary Mooney

Mississauga, Ontario

Gary Mooney is President and Chief Operating Officer of Fidelity National Financial, and a senior partner with the law firm Anderson, Sinclair. He was appointed to the Board of Directors in June 2005.

Louis Ranger

Ottawa, Ontario

Louis Ranger is Deputy Minister of Transport, Infrastructure and Communities. He was appointed to the Board of Directors in September 2002.

Alexander Werzberger

Outremont, Quebec

Mr. Werzberger is currently the President of Traklin Groups. He has served on the Board of Directors of various organizations, including the Association provinciale des constructeurs d'habitations du Québec and the Association de la construction du Québec. Mr. Werzberger was appointed to the Board of Directors in April 2005.

PERFORMANCE AGAINST OBJECTIVES

Help Canadians in Need

Facilitate Access to More Affordable, Better
Quality Housing for All Canadians

Ensure the Canadian Housing System Remains
One of the Best in the World

Business Highlights and Outlook (10 Years)

PERFORMANCE AGAINST OBJECTIVES

The 2005 Annual Report represents the conclusion of CMHC's 2005 corporate planning cycle. The report ensures that progress on planned activities is tracked and that managers are accountable for performance results against plans in the 2005–2009 Corporate Plan — CMHC's key planning document. In 2005, CMHC's corporate objectives and strategic priorities, which represent our public policy purpose, were recast to better reflect ongoing business and key client groups and to facilitate enhanced alignment of CMHC's business and financial plans. The 2005 Annual Report presents the corporate results based on the enhanced planning framework presented below.

Objective One HELP CANADIANS IN NEED

- 1.1 Help Canadians in need to access safe, affordable housing
- 1.2 Improve living conditions for Aboriginal Canadians

Objective Two FACILITATE ACCESS TO MORE AFFORDABLE, BETTER QUALITY HOUSING FOR ALL CANADIANS

- 2.1 Ensure Canadians have access to mortgage insurance products and tools that meet their needs
- 2.2 Enhance the supply of low cost funds for mortgage lending by expanding the securitization program
- 2.3 Provide comprehensive, timely and relevant information to enable Canadian consumers and the housing sector to make informed decisions

Objective Three ENSURE THE CANADIAN HOUSING SYSTEM REMAINS ONE OF THE BEST IN THE WORLD

- 3.1 Ensure Canada's housing system remains one of the best in the world
- 3.2 Support and promote Canada's world-class housing products, services and system internationally
- 3.3 Ensure that CMHC remains a strong organization able to fulfill its mandate

Objective One

HELP CANADIANS IN NEED



For 60 years, we have been helping provide a place to call home to hundreds of thousands of low-income families across the country. We have also been striving to close the housing gap faced by Aboriginal Canadians. We are proud of our legacy of programs and policies that have helped Canadians access safe, affordable housing. And we will continue to support needy families through our programs and initiatives to help ensure that all Canadians share in the benefits of living in a safe, affordable home.

RESOURCES

\$56.2 million in operating expenses

387 Staff Years

1.1 Help Canadians in Need to Access Safe, Affordable Housing

■ WHAT WE DO

Together with our public and private partners, we help low or modest income Canadians access high quality, safe and affordable homes.

■ WHY IT MATTERS

By helping to provide access to affordable housing, our efforts help to improve the quality of life of hundreds of thousands of Canadians.

■ HOW WE GET IT DONE

We provide funding to, and work with the provinces, territories, and others to increase the supply of affordable housing.

We provide support and financial tools that help communities sponsor their own affordable housing projects.

We provide funding for renovations to preserve the supply of housing for low income households.

We subsidize existing social housing units.

We increase understanding of the distinct housing needs of at-risk population groups.



1946

CMHC builds Benny Farm in Montréal – one of the first subsidized housing developments in Canada and the largest at the time.

CMHC TOOLBOX

We draw on the following tools to achieve this strategic priority:

Affordable Housing Initiative

Flexible options for provinces and territories, including:

- New rental housing
- Home purchase
- Homeownership preservation
- Rental preservation
- Rent supplements

Renovation Programs

- Residential Rehabilitation Assistance Program
- Emergency Repair Program
- Home Adaptations for Seniors' Independence
- Shelter Enhancement Program

Public-Private Partnerships

- Seed funding
- Proposal development funding
- Advice and skills development
- Mortgage loan insurance flexibilities

Housing Subsidies Under Past Commitments

- Public housing
- Non-profit housing
- Rental supplement
- Co-operative housing

Direct Lending

For additional information on CMHC's programs and services, visit our website, www.cmhc.ca

WHAT FACTORS INFLUENCED OUR PERFORMANCE?

1.5 Million Canadians are Currently in Need of Suitable or Affordable Housing

In 2001, 86% of Canadian households could afford to live in housing that was uncrowded and in a good state of repair.¹ However, there remained 1.5 million Canadian households, or about 14% of the population, who were in core housing need.² Recent immigrants, lone-parents, unattached individuals and Aboriginal people are more likely than other Canadians to be in core housing need.

Housing Need Has a Strong Income Dimension

For households in the lowest income bracket (\$10,000 and less), income completely determines their housing circumstances. The majority of these households (80%) were in core housing need. Most often, households in need cannot look to accumulated wealth to address their own housing needs because they do not have sufficient income to afford housing at market rents.

Governments Have Been Re-investing in Affordable Housing

The existing federally assisted social housing stock provides homes for some 633,000 families and individuals. Over the next 30 years, the operating agreements on these projects will be expiring and this could impact the supply of housing available to meet the needs of low-income Canadians and ultimately affect the number of households in need.

Recently, government investment in affordable housing has been on the rise. Since 2001, \$1 billion has been committed by the federal government under the Affordable Housing Initiative (AHI), a cost-sharing initiative with the provinces and territories. The initiative was announced in two phases: an initial investment of \$680 million in 2001 and an additional \$320 million in 2003. In total, the AHI is expected to make available 44,000 affordable housing units for those in need.

Funding Allocation Under the Affordable Housing Initiative

Province	Provincial Allocation (\$ millions)
Newfoundland	20.5
Prince Edward Island	4.2
New Brunswick	22.6
Nova Scotia	28.1
Quebec	236.5
Ontario	366.3
Manitoba	36.9
Saskatchewan	33.0
Alberta	98.6
Northwest Territories	7.9
British Columbia	130.4
Yukon	5.8
Nunavut	5.2
Administrative costs	4.0
Total	1,000.0

There is a Growing Recognition That Housing is Central to Health and Well-being

The importance of addressing housing need as a means of improving quality of life is reflected in the role of good housing as a basis for achieving other social policy objectives — health, strong communities, and secure environments for children.

While low income remains a large barrier to accessing adequate housing for most, differences in the housing and income circumstances of households in core housing need call for wide-ranging strategies. Moreover, some people, including recent immigrants and people living with disabilities, have special needs associated with their life circumstance that require more than just a housing response. Despite recent investment in affordable housing, many urban centres are continuing to report increases in homelessness. A holistic approach is therefore needed to ensure that housing is linked to necessary supports and services, and is tailored to reflect differing local needs.

1. Based on 2001 census estimates.

2. A household is in core housing need if its housing does not meet standards for affordability, adequacy or suitability and it would have to spend 30% or more of its income for housing that meets all three standards.

ANALYSIS OF OUR PERFORMANCE

We Helped Increase the Supply of Affordable Housing

To increase the supply of affordable housing, the Government of Canada is investing \$1 billion by the end of 2010–2011, through the Affordable Housing Initiative (AHI).

The development of new housing under the AHI has lagged behind target since the program's inception. As a result, CMHC undertook a series of discussions with our provincial and territorial partners in 2004 to identify challenges and find solutions that would enable more rapid progress in establishing agreements and developing housing. In late 2004 and early 2005, additional flexibilities were announced related to the AHI, including making rent supplement programs eligible for funding. This led to rapid progress in finalizing the Phase II AHI agreements, and stimulated the development of more affordable housing.

At the end of 2005, agreements with all 13 provincial and territorial jurisdictions have been signed and the production of affordable housing units is on track. Expenditures related to the AHI in 2005 were targeted at \$175 million and came in on plan.

To date, about 25,000 units were committed or announced under the initiative compared to an expected volume of just under 26,200 units, reflecting higher than planned production costs. Program activity levels have varied by jurisdiction reflecting the differing status of program roll-out across the country. CMHC will continue to work with its provincial and territorial partners to encourage timely take-up of funding and increased affordable housing supply.

Corporate Performance Measure	2004 Results	2005 Target	2005 Results	2006 Target
Affordable Housing Initiative expenditures (\$ millions)	173	175	175*	159

* Target met or exceeded

* Target substantially met

† Target not met

OUR STRENGTHS

- Pre-eminent research program leading to an in-depth understanding of housing needs of a diverse population.
- Well established relationships with federal, provincial, municipal governments and housing stakeholders.
- History of effectively delivering diverse housing programs to Canadians.
- Ability to introduce new and enhanced programs that address the evolving needs of Canadians.

CHALLENGES AND RISKS

- Managing heightened expectations emanating from an increased focus on housing issues by the public, media and government.
- Developing and realizing housing solutions for Canadians in need.
- Continuing to effectively manage the varied and complex processes and systems controlling delivery and administration of housing programs.

NEXT STEPS

- Research the role of housing and communities in the successful integration of newcomers to Canadian society, and researching methods to improve access to housing options for homeless people.
- Maximize timely production of units under the Affordable Housing Initiative.
- Explore policy options to address the issues associated with the aging of the existing social housing stock and the planned expiration of the operating agreements.

We Helped Communities Sponsor Their Own Affordable Housing Projects

CMHC recognizes that no two communities are alike and that housing solutions are as varied as the housing challenges they address. That is why CMHC offers an innovative package of tools, with a range of customizable options, designed to facilitate the production of affordable housing through partnerships by meeting the specific needs of individual housing projects.

In 2005, partnerships led to the creation of 2,378 affordable housing units. This volume is 46% higher than planned largely due to accelerated project schedules, but significantly lower than 2004 results, reflecting a change in measurement practice by which CMHC more precisely measures its role in facilitating the units.

CMHC approved mortgage insurance applications for 1,640 public-private partnership units, which while significantly above target, reflects the overall greater volume through the Partnership Centre.

Corporate Performance Measures	2004 Results	2005 Target	2005 Results	2004 Target
Public-Private Partnership units facilitated	n/a	1,625	2,378*	1,470
Mortgage insurance approvals of public-private partnership (units)	n/a	1,030	1,640*	1,250

* Target met or exceeded * Target substantially met † Target not met

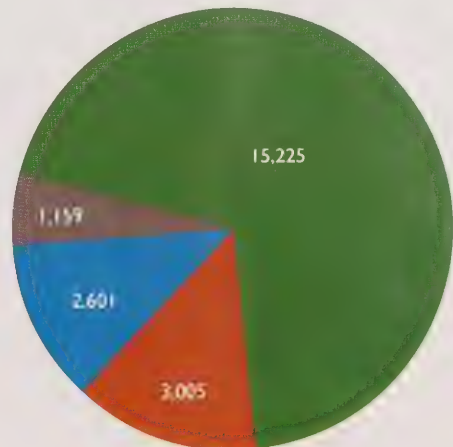
n/a not applicable due to new methodology adopted in 2005.

We Helped Maintain the Existing Supply of Housing For Low To Moderate Income Canadians

CMHC's renovation programs help low-income households, persons with disabilities and Aboriginal people bring their homes up to minimum health and safety standards, repair shelters for victims of family violence, and support home adaptations for low-income seniors so they can live independently for as long as possible. Over 750,000 households have benefited from CMHC's renovation and repair programs, since their inception more than 30 years ago.

In 2005, we provided funding assistance to almost 22,000 households, 2% behind our target of 22,509 housing units. This is slightly lower than 2004, which was an exceptionally strong year, since the timing of a program extension shifted a good deal of activity into the first quarter of 2004. In addition, higher costs for building materials and labour also contributed to a higher average cost per unit when compared to last year, affecting the level of production in 2005.

Our renovation programs helped almost 22,000 households in 2005



- Shelter Enhancement Program
- Emergency Repair Program
- Home Adaptations for Seniors' Independence
- Residential Rehabilitation Assistance Program

Corporate Performance Measures	2004 Results	2005 Target	2005 Results	2006 Target
Renovation Programs (units) ¹	25,539	22,509 (+/-5%)	21,990*	19,054 ²

* Target met or exceeded

* Target substantially met

† Target not met

Renovation Programs include the Residential Rehabilitation Assistance Program, Home Adaptations for Seniors Independence, the Emergency Repair Program and the Shelter Enhancement Program.
Revised following November 2005 announcement of one-year extension of the renovation programs.

A portion of CMHC's Residential Rehabilitation Assistance Program is dedicated to the renovation of affordable rental properties. In 2005, eligibility for this program was also expanded to include the creation of secondary suites and garden suites to accommodate seniors and disabled adults. This now provides an additional housing option, enabling this client group to remain in their communities and close to their family and social network.

The 2005 fourth quarter announcement of a one-year extension of \$128.1 million in funding for the renovation programs will permit more than 19,000 households to be assisted in 2006.

Through Our Investment in Social Housing, We Continued to Help Many Canadians in Need

As a result of many years of social housing program delivery through CMHC, Canada's existing stock of federally supported social housing assists over 633,000 lower-income Canadian families each year. We also supported social housing sponsors by providing low-cost funding to those sponsors seeking to refinance their existing social housing projects. These loans provide non-profit groups with funds at the best possible interest rates, thereby reducing costs they would otherwise have to carry.

We Facilitated the Start-up of The Agency for Co-operative Housing

In 2005, CMHC and The Agency for Co-operative Housing concluded an agreement for the agency to begin providing portfolio management services for federally administrated co-operative housing projects in BC, Ontario, Alberta and PEI in 2006. Under the Agreement, the Agency will provide services on a not-for-profit, fee-for-service basis. It will also offer a new risk-based, client-focused approach to service delivery which, over time, is expected to contribute to the viability and health of the co-operative housing portfolio. CMHC will continue to be responsible for program policy and for the administration of federal funds. In 2006, CMHC will continue to work closely with the Agency to ensure a smooth transition to the new arrangements.



In the early days, CMHC was heavily involved in the design and construction of public housing projects delivered by the provinces under joint funding arrangements to maximize resources and create more housing. The strong spirit of collaboration developed over six decades continues to bring success today as we celebrate the achievement of having completed the signing of all agreements with the provinces and territories under the Affordable Housing Initiative. Through 2006 and beyond, we will continue to work with our partners to develop the best possible options for effective, efficient delivery, looking at flexibilities and innovations, and bringing together the best mix of partners and expertise to deliver solid benefits to low-income Canadians.

1.2 Improve Living Conditions for Aboriginal Canadians

■ WHAT WE DO

We work with Aboriginal organizations to resolve Aboriginal housing issues.

■ WHY IT MATTERS

For the Aboriginal population, housing needs are urgent. We are working with Aboriginal groups to close the gap faced by Aboriginal Canadians in the area of housing.

We support the development of skills, markets and institutions that increasingly permit Aboriginal people to direct and control their own housing.

■ HOW WE GET IT DONE

We represent the Government of Canada in consultations and negotiations to improve Aboriginal housing conditions.

We provide funding and partner with First Nations, Indian and Northern Affairs Canada, and others on housing assistance programs, construction of new housing and renovations to existing housing.

We offer innovative financing techniques to stimulate market conditions on reserve.

We share our housing knowledge and expertise with Aboriginal home occupants and industry participants to increase Aboriginal housing capacity.



1978

Non profit Housing Program is delivered for the first time on-reserve.

CMHC TOOLBOX

We draw on the following tools to achieve this strategic priority:

Social Housing

- On-Reserve Non-Profit Rental Housing

Housing Subsidies Under Past Commitments

- Rural and Native Housing
- Urban Native Housing Program

Mortgage Loan Insurance On-Reserve

- Homeownership On-Reserve with Ministerial Guarantee
- Homeownership On-Reserve Without Ministerial Guarantee

Capacity Development

- Housing Internship for First Nations and Inuit Youth
- Inspector training
- Home occupant training
- Support for organizations such as the First Nations National Building Officers Association

Renovation Programs

- Residential Rehabilitation Assistance Program
- Home Adaptations for Seniors' Independence
- Shelter Enhancement Program

For additional information on CMHC's programs and services, visit our website, www.cmhc.ca

WHAT FACTORS INFLUENCED OUR PERFORMANCE?

Aboriginal People Face Some of the Worst Housing Conditions in Canada

Aboriginal people living on- and off-reserve are much more likely than other Canadians to be in core housing need due to problems of overcrowding. According to the latest available Census data, 22.5% of on-reserve households live in inadequate housing and are unable to afford acceptable housing, while 10.3% live in crowded conditions.

The housing shortage faced by First Nations, Métis and Inuit people continues to grow despite efforts by CMHC and Indian and Northern Affairs Canada. The estimated shortage of housing on-reserve is between 20,000 and 35,000 units, where an additional 4,300 units are needed annually to meet the requirements of new households.³ This undersupply has resulted in severe overcrowding on reserve, which accelerates the deterioration of housing and related infrastructure, and affects the health and social well-being of occupants.

Problems are intensified in the North where subsidized rental housing comprises the majority of the housing stock. With high unemployment rates and high construction and operating costs, a large portion of the northern population relies on assisted housing. The accelerated deterioration of the housing stock due to overcrowding is made worse by the severe northern climate.



1971

CMHC introduces Winter Warmth, its first assistance program directed to Aboriginal people, to provide funds for making urgent repairs to housing in rural areas.

The Challenges in Addressing Aboriginal Housing Need are Significant

Aboriginal households face tremendous challenges in accessing adequate housing. The challenges include low income and high unemployment, as well as regional characteristics such as remoteness and harsh climate conditions that contribute to high construction costs. Legal barriers to homeownership on reserves and the need to coordinate various federal, provincial and territorial players also undermine efficiency in the Aboriginal housing system. Further compounding the shortage of housing is the rapid growth of a young Aboriginal population, contributing to an increase in new household formations and a growing need for housing solutions. Rising building costs are further hampering efforts to alleviate housing need on reserve, particularly in the North. In 2005, builders faced shortfalls in skilled tradespeople and rising construction costs that were due to higher building material and energy costs.

Creating a New Vision for Aboriginal Housing

Our ability to address these challenges would be helped by increased Aboriginal control and management over housing, new approaches that encourage market solutions and homeownership, and enhanced partnerships including with other levels of government.

As a short-term measure to help address the backlog on reserve and stabilize the current housing conditions for First Nations, the 2005 federal budget provided \$295 million over two years. Long-term solutions for on- and off-reserve Aboriginal housing are being developed as part of the Aboriginal Peoples Roundtable follow-up process and the fall 2005 First Ministers' Meeting on Aboriginal Issues, where housing was one sector identified for further policy development. A key message heard throughout the Canada-Aboriginal Peoples Roundtable follow-up process and preparations for the First Ministers' Meeting was the need for increased Aboriginal capacity and empowerment in developing housing solutions as a means to strengthen Aboriginal self-reliance. There was also a general acknowledgement of the need to strengthen relationships among federal, provincial, territorial and Aboriginal partners to work collaboratively on Aboriginal housing solutions. Recent discussions have focused on a vision for increased Aboriginal control over housing and the need to work collaboratively on developing a new Aboriginal housing system.

³ Indian and Northern Affairs Canada

ANALYSIS OF OUR PERFORMANCE

We Played a Lead Role in Shaping Policy for an Aboriginal Housing Strategy

In 2005, CMHC played a key role in shaping an Aboriginal housing strategy through immediate improvements to policy and programs and through longer-term policy proposals. We worked to build consensus within government and with national Aboriginal organizations on the direction forward for Aboriginal housing. The resulting Aboriginal housing directions gained widespread support and formed the basis of the agreement reached at the First Ministers' Meeting in November 2005.

CMHC worked closely with Aboriginal organizations and provinces and territories to identify sustainable approaches to addressing Aboriginal housing needs and develop the necessary indicators to measure success. These discussions strengthened relationships between federal, provincial and territorial governments, and Aboriginal leaders who committed to working together to improve Aboriginal housing conditions.

Further to the progress made at the First Ministers' Meeting, governments and Aboriginal organizations have expressed a willingness to continue to work together to achieve solutions for Aboriginal housing.

We are also continuing to support the development of indicators and data for assessing and tracking progress in Aboriginal housing. CMHC has signed memoranda of understanding with the First Nations Statistical Institute which will officially open its doors in April 2006, and the National Aboriginal Economic Development Board established in 1990 by Order-in-Council. CMHC will assist the First Nations Statistical Institute in mapping available housing information and will sit on a government advisory board to help the National Aboriginal Economic Development Board select and develop the indicators to be included in its National Aboriginal Benchmarking Report, to be published in 2006.

We Made an Immediate Investment in On-reserve Housing to Reduce or Eliminate the Growth in the Shortfall of Housing On Reserve

CMHC undertook the operational planning necessary to deliver on the additional funding announced through the February 2005 budget. A new allocation model based on need was developed and a delivery framework was put in place to ensure that increased government funding will be delivered within overall time frames.

This investment has the potential to triple the number of new units created on reserve over two fiscal years (2005/06 and 2006/07) and provide a 50% increase in the number of units renovated. In 2005, 1,045 new on-reserve housing commitments were made, exceeding our target by 17%. In order to narrow the gap in housing between Aboriginal people and other Canadians, the target for 2006 is set at 4,007 units. In addition to new construction, funding for the renovation and repair of 1,275 units on reserve was provided through the Residential Rehabilitation Assistance Program, exceeding our planned target of 884 on-reserve units by 44%.

We Supported the Establishment of Market Housing or Market-like Conditions On Reserve

CMHC worked to find ways to better use mortgage insurance products to facilitate access to private financing on reserve and to promote homeownership. A renewed focus was placed on promoting the new on-reserve homeownership loan insurance pilot product during 2005 and overcoming those barriers identified by First Nations as preventing them from taking advantage of the pilot. This renewed focus was successful. The historic first signing of an agreement under this pilot occurred with the Nak'azdli First Nation in BC, and there was significant movement towards future signings with other First Nations. The pilot will expand homeownership on reserve, fuel new home construction and renovations, as well as create employment and business opportunities on reserve. We will continue to work closely to implement the pilot with First Nations within all regions of the country in 2006.

Research into alternate land tenures on reserve, including the land designation process under the *Indian Act* and the *First Nations Land Management Act*, was also initiated. A second research project looking at homeownership on reserve and possible models that would promote best practices was initiated during the year and will be finalized in 2006.

Corporate Performance Measures	2004 Results	2005 Target	2005 Results	2006 Target
On-reserve non-profit new commitment (units)	978	892	1,045*	4,007

* Target met or exceeded † Target substantially met ‡ Target not met

We Shared Our Knowledge and Expertise and Helped Build Aboriginal Housing Capacity

CMHC is committed to developing a strong and effective Aboriginal housing system that will build Aboriginal capacity in areas such as land administration and housing and financial management. For Aboriginal home occupants, we work to raise the profile of indoor air quality and provide information on methods for improving housing and reducing the occurrence of mold to support the health and well-being of occupants.

In 2005, efforts to further assist the First Nations National Building Officers Association (FNNBOA) in developing the professional certification model that was implemented in 2005 have resulted in an increased profile for the organization. FNNBOA has formed formal partnerships with provincial government agencies such as the Alberta Safety Code Council and the Ministry of Municipal Affairs and Housing in Ontario. FNNBOA's profile was raised in 2005 when they were invited to do a presentation to the Senate Standing Committee on Aboriginal Economic Development.

Overall, the percentage of on-reserve programs and services delivered through First Nation or Aboriginal organizations exceeded its target by almost 12%. This is attributable to the successful recruitment of Aboriginal organizations for the delivery of RRAP in British Columbia as well as the recruitment and development of Aboriginal service providers for the delivery of training related to the Housing Quality Initiative for First Nations.

Corporate Performance Measure	2004 Results	2005 Target	2005 Results	2006 Target
Delivery of on-reserve programs and services through First Nation or Aboriginal organizations (%)	89.2	80.0	89.3*	80.0

— exceeded * Target substantially met † Target not met

OUR STRENGTHS

- Extensive experience in delivering high quality, durable housing to First Nations communities.
- Efficiencies and enhancements in Aboriginal program administration and delivery resulting from the implementation of recommendations from the Auditor General's review in 2003.
- Awareness of Aboriginal housing needs developed through comprehensive research programs and first-hand experience in program delivery.
- A long history of skills transfer and capacity development.

CHALLENGES AND RISKS

- Assisting in the development of an efficient housing system on- and off-reserve, as well as in the North, given the system of collective land ownership on reserve, the lack of traditional mortgage security, and other social and economic challenges.
- Meeting the need to build increased capacity.
- Addressing the housing shortage on reserve, ensuring durable construction of new and existing housing, and reducing the incidence of mould in on-reserve housing.

NEXT STEPS

- Increase the understanding of Aboriginal trends and issues.
- Work with territories, provinces and Aboriginal groups to address distinct housing needs.
- Encourage adoption of market-based solutions where feasible and desired by the First Nations, including improving access to private sector financing, and homeownership on reserve.

We Made Organizational Changes to Better Address Severe Housing Need in the North

A wide range of barriers and impediments to meeting housing need and promoting sustainable development exist in the North, including extremely high cost of construction, limited technical capacity and fewer proven technologies for northern climates, as well as a range of social and economic issues.

In August 2005, in recognition of the level of need and the distinct issues faced in the North, CMHC created a new office within the Prairies and Territories region that has a distinct focus on northern housing. This new structure allows CMHC to better serve our partners, clients and stakeholders in the three northern territories. With extensive research and experience in dealing with northern housing issues, CMHC is well positioned to provide the support and advice required by northern stakeholders. CMHC's new northern housing office will manage the diverse and growing housing interests of the North and will focus on the unique challenges in bringing innovative housing solutions to this area. This focus better positions CMHC to help northern residents develop the plans necessary to increase housing supply. CMHC will also be in a better position to help northern communities take advantage of economic development opportunities, such as the Mackenzie Valley Pipeline, in addressing housing need.



CMHC's contribution to improving the housing and living conditions of Aboriginal Canadians began in 1971 with the delivery of programs such as Winter Warmth Assistance and the Rural and Native Housing program, to fund urgent repairs to homes or to buy or build housing for low-income people in rural areas. Addressing the housing needs of Aboriginal Canadians continues to be a key focus for CMHC. We are starting to introduce innovative market tools to create more private market-like housing conditions on reserve. In 2005, we signed the first on-reserve Homeownership Loan Insurance pilot agreement with the Nak'Azdli Band council of northern British Columbia, and we are pursuing agreements with other interested bands across Canada. In 2006, we will continue to work with the Aboriginal community and a host of government and private partners to bring about the long-term transformational change needed to improve the living conditions of Aboriginal Canadians.

Objective Two

FACILITATE ACCESS TO MORE AFFORDABLE, BETTER QUALITY HOUSING FOR ALL CANADIANS



Thanks to the 60 year legacy of CMHC's programs, policies and initiatives, Canadians are among the best-housed people in the world. Since 1954, when we began our mortgage loan insurance program, CMHC has provided mortgage loan insurance on every one in three Canadian homes, helping make it possible for many Canadians to buy a home sooner or find affordable rental accommodation.

Today we continue that legacy by helping housing finance markets function effectively so that most Canadians are housed without direct government assistance. In order to maintain a well-functioning housing system, we facilitate access to affordable mortgage financing and ensure that an abundant supply of low-cost funds is available in the residential mortgage market. We also provide quality information to Canadian consumers and housing sector participants so that they can make well-informed housing choices.

RESOURCES

\$115.8 million in operating expenses
731 Staff Years

2.1 Ensure Canadians Have Access to Mortgage Insurance Products and Tools That Meet Their Needs

■ WHAT WE DO

We offer a wide range of mortgage insurance products to meet the needs of the financial services industry and consumers alike.

■ WHY IT MATTERS

Our mortgage insurance products lower the costs of homeownership for Canadians with less than a 25% down payment, allowing them to own a home sooner than would otherwise be possible.

Our mortgage insurance helps landlords and developers access low-cost financing, which benefits Canadians by ensuring that more accommodation is available for renters.

■ HOW WE GET IT DONE

We protect mortgage lenders from borrower default through our mortgage insurance products. This leads to interest rate reductions for homebuyers, even with a down payment as low as 5% of the value of the home.

We serve all parts of the country, including areas that the private sector is less inclined to serve.

We operate our mortgage insurance business in a commercial environment, on a fair and competitive basis, thereby helping to ensure fair pricing and innovative product development.



1954

Mortgage loan insurance is created to make homeownership more accessible to Canadians.

CMHC TOOLBOX

We draw on the following key mortgage insurance products to achieve this strategic priority:

Homeowner

- Purchase
- Refinance
- Flexible Down Payment
- Purchase Plus Improvements
- Lines of Credit
- Second Homes
- Mortgage Loan Insurance for Energy-Efficient Homes
- Homebuilder Progress Advance
- Mortgage Insurance products for purchase of mobile homes

Rental

- Rental Purchase
- Rental Refinance
- Mortgage Loan Insurance for Energy-Efficient Rental Units
- Floating Rate for CMHC Insured Rental Mortgages

For additional information on CMHC's programs and services, visit our website, www.cmhc.ca

WHAT FACTORS INFLUENCED OUR PERFORMANCE?

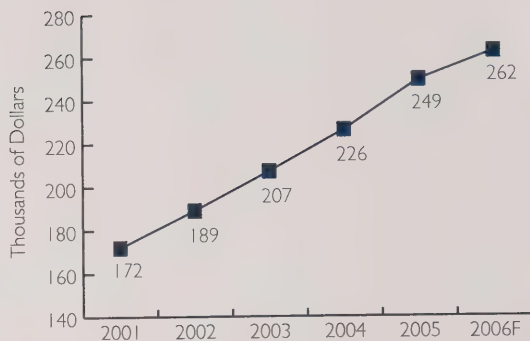
Economy and Housing Market Trends

Successive years of very strong housing markets have contributed to strong business volumes for the Corporation, with 2005 being no exception. The robust performance of the housing market in 2005 was based on underlying strength in the economy, such as employment growth and low interest rates. Housing markets will remain strong by historical standards in 2006, but will begin a gradual decline as the pent-up demand that helped drive the market over the past several years has largely been met. Rising mortgage carrying costs, due to recent home price increases and rising interest rates, will also temper demand for homeownership, particularly among first-time homebuyers.

Housing Finance Industry is Increasingly Focused on Gaining Competitive Advantage

New lenders, including subsidiaries of foreign institutions and non-regulated financial institutions focusing on niche markets, are expected to continue entering the Canadian marketplace. This and other industry conditions have maintained a highly competitive environment. There is an increased reliance on client segmentation strategies and greater emphasis on niche products. In an effort to meet their competitive objectives, lenders are increasingly relying on CMHC for market analysis, product innovation and staff training as they strive to ensure their customers are well served.

Average Residential Resale Price



Sources: Canadian Real Estate Association and Real Estate Board of the Fredericton Area Inc., CMHC Forecast 2006.

Competition in Mortgage Insurance Sector is Growing

While CMHC remains the clear mortgage insurer of choice for the Canadian industry, the Corporation is facing increased competition in its high-ratio mortgage insurance business. Going forward, competitive pressures may increase further due to ownership changes

Total Housing Starts and Residential Resales



Housing Starts Source: CMHC Forecast 2005–2006 Residential Resales Sources: Canadian Real Estate Association and Real Estate Board of the Fredericton Area Inc., CMHC Forecast 2006.

From direct lending to mortgage loan insurance to a host of innovative products, services and options — with significant strides in automation and risk modelling along the way — CMHC has used its housing finance arm to encourage homebuilding, provide equal access to financing nation-wide, increase affordability and choice, and respond to a wide diversity of needs and lifestyles to help thousands of Canadians become homeowners. The housing finance expertise we've garnered over six decades is the cornerstone of our achievements today and the foundation that will secure future successes. We will continue to develop our product and service offering to keep pace of the evolving housing finance needs of Canadians.

at CMHC's mortgage insurance competitor, Genworth Financial Canada. In addition, AIG United Guaranty Corporation has received approval to incorporate a company for the purposes of providing mortgage insurance in Canada. United Guaranty is a wholly owned subsidiary of the leading international provider of insurance products and services, American International Group Inc., and is the fourth largest mortgage insurance provider in the United States.

Groundwork Laid for Transformational Change in the Housing Finance Sector

Basel II

A new framework for capital adequacy, established by the Bank of International Settlements' Basel Committee, is anticipated to be ready for implementation by late 2006 or early 2007. The proposed changes associated with Basel II will align capital requirements more closely to the risk of credit loss, thereby enabling more sophisticated financial institutions to hold less capital than other institutions for the same type of transaction. Under Basel II, the reserve requirement for lending institutions on mortgage-related debt will decline, possibly resulting in decreased demand for mortgage insurance as a risk mitigation tool.

Currently, Basel II would only impact demand for low-ratio mortgage insurance products (i.e., mortgages whose value is less than 75% of the value of the property) as there is a statutory requirement for mortgage insurance on high-ratio mortgage loans.

Financial Institutions Acts Review

As part of its periodic review of the Financial Institutions Acts, the Government of Canada sought industry input on a proposal to remove the statutory requirement under the *Bank Act of Canada* for mortgage loan insurance on high-ratio mortgage loans in order to provide greater flexibility to residential mortgage providers and homebuyers alike.

Under this scenario, the overall size of the mortgage insurance market could decline as some lenders may choose to self insure against risk of default by lower risk borrowers and adopt more risk-based pricing practices.



2000

CMHC negotiates an ambitious agreement to keep the former coal mining community of Tumbler Ridge, British Columbia alive.

ANALYSIS OF OUR PERFORMANCE

We Offered Made-in-Canada Mortgage Insurance Solutions to Help Canadians Access the Funds They Need to Buy a Home

Well-functioning housing finance markets benefit Canadians in every walk of life. One way CMHC is helping markets work better is through our mortgage insurance products that protect mortgage lenders against possible borrower default over the full term of a mortgage. This is particularly important in the housing finance industry where mortgages are often longer term loans, exposed to the highs and lows of a cyclical housing market. Because of our protection, lenders are able to offer mortgages to Canadians everywhere with as little as a 5% down-payment at interest rates that are similar to those for mortgages with a downpayment of 25% or more. This means more Canadians can own homes sooner. It also means that affordable mortgage financing is available for rental housing.

OUR STRENGTHS

- Innovative products and services that meet the needs of Canadians from all across the country, including those in traditionally underserved areas.
- Strong and committed sales force, with locally-based and highly-knowledgeable underwriters, and predictable and reliable claims payment.
- Fully capitalized according to the Office of the Superintendent of Financial Institutions' guidelines.
- First-rate technology platform and risk models that facilitate fast and effective underwriting practices.

CHALLENGES AHEAD

- Preparing for transformational change in the housing finance industry while increasing the value of mortgage insurance to lenders and consumers in the short-term.
- Maintaining competitive position in the context of the entry of a new competitor.
- Working with lenders and law enforcement to continue to fight mortgage fraud.

NEXT STEPS

- Continue to assess the effect of the changing regulatory environment on CMHC's programs and products and implement an appropriate directional strategy.
- Continue to explore and develop insurance products, services and policies to meet the needs of financial institutions, brokers and Canadians.
- Continue to emphasize and evolve effective customer relation strategies and supports, and enhance methods to measure success in this area.

In 2005, better than expected economic and financial conditions affecting housing markets, combined with ongoing enhancements to our product and service offerings, resulted in continued record high volumes of approvals in our mortgage insurance business. More than 746,000 units were approved, representing 132% of plan.

Net claims expense on insured mortgages remained low over the year, at approximately \$119 million, due to strong underlying market fundamentals, and effective risk modeling and quality assurance practices that helped to protect CMHC against unnecessary loss, including losses due to fraudulent activities.

The recent steep price increases, which pushed average home prices up by at least 10% in each of the past four years, have been particularly beneficial to individual homeowners, many of whom have realized significant increases in household equity. Homeowners that find themselves in financial difficulty are able to avoid defaulting on their mortgage commitments by selling their home, and moving to less costly homeownership options.

Healthy housing markets have also helped CMHC to achieve full capitalization of our mortgage insurance activity in 2005, according to the guidelines set by the Office of the Superintendent of Financial Institutions.

Looking ahead, while exceptionally low mortgage carrying costs have buoyed housing markets in recent years, elevated home prices combined with rising interest rates will gradually chip away at affordability. As a result, CMHC expects mortgage insurance volumes will begin to moderate in 2006, while claims will remain low.

Corporate Performance Measures	2004 Results	2005 Target	2005 Results	2006 Target
Total mortgage insurance approved (units)	652,573	564,589	746,157*	574,633

* Target met or exceeded

† Target substantially met

‡ Target not met

We Created Access to Housing Finance for More Canadians and Introduced Product Innovations

Approximately 34% of the homes backed by CMHC mortgage insurance in 2005 were in markets where CMHC is the only mortgage insurer or where the private sector is relatively less active. Specifically, CMHC offered mortgage insurance products for loans on nursing and retirement homes, rental accommodations and mobile homes, as well as for loans in rural and northern areas, single-industry towns and on reserves. In addition, in 2005, we approved mortgage loan applications for 4,400 affordable housing units, helping to make it easier for low-income Canadians to access low-cost housing.

Our mortgage insurance products have continually evolved over the years to meet the changing needs of Canadians. This year was no exception. In 2005, we introduced a number of key enhancements to our mortgage insurance programs and policies to facilitate housing affordability and to promote the environmental sustainability of housing. Through an annual pricing review, we lowered mortgage insurance premiums by 15% for first time homebuyers with a 5% down-payment, passing along the benefits of enhanced risk analytics and gains in operational efficiencies to consumers. This is the second such reduction in as many years.

Other product enhancements include:

- introducing additional flexibilities to our 10% energy efficiency refund on mortgage insurance premiums, and extending program eligibility to include all types of condominiums;
- introducing a full waiver of premiums for new rental housing projects funded under the Affordable Housing Initiative; and
- lowering premiums on affordable rental housing developed through CMHC's Partnership Centre by 15%, as well as increasing underwriting flexibilities and waiving extended amortization surcharges for affordable housing.

In 2006, we will continue to introduce new homeowner insurance products to better serve borrowers and lenders alike. CMHC will be bringing forward new homeowner insurance products to better serve relatively underserved borrower populations and meet the needs of mortgage originators.

Corporate Performance Measures	2004 Results	2005 Target	2005 Results	2006 Target
Total mortgage insurance units approved to address less served markets and/or support specific government priorities (%)	36.6	33.0	33.7*	33.0

* Target met or exceeded

† Target substantially met

‡ Target not met

2.2 Enhance the Supply of Low Cost Funds for Mortgage Lending by Expanding the Securitization Program

■ WHAT WE DO

We guarantee the timely payment of interest and principal on securities backed by residential mortgages.

■ WHY IT MATTERS

Our activities ensure a steady flow of low-cost funds for mortgages.

This helps keep mortgage rates as low as possible, thereby benefiting Canadian homebuyers.

■ HOW WE GET IT DONE

We develop and deliver securitization programs to provide CMHC's guarantee on mortgage-related securities issued by financial institutions and Canada Housing Trust that meet the needs of mortgage originators and the interests of investors.

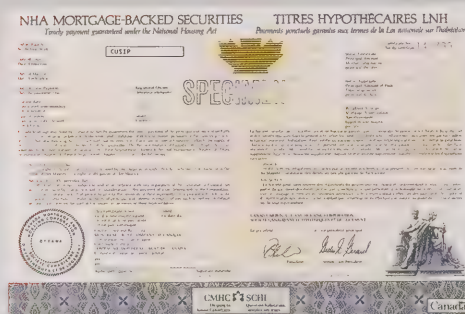
Because mortgages are transferred from the lender's portfolio, additional funds are made available for mortgage lending to consumers.

We strive to increase investor participation in capital markets transactions to create a liquid market for the mortgage-related securities.

CMHC TOOLBOX

We draw on the following programs to achieve this strategic priority:

- National Housing Act Mortgage-Backed Securities (NHA MBS) Program
- Canada Mortgage Bonds (CMB) Program



1986

Mortgage-Backed Securities are introduced to ensure the supply of low-cost mortgage funds.

For additional information on CMHC's programs and services, visit our website, www.cmhc.ca

WHAT FACTORS INFLUENCED OUR PERFORMANCE?

Economy and Housing Markets

Continued strength in housing markets and bond markets in 2005 translated into strong demand by issuers and investors for new securitization product offerings. With consistently low mortgage rates over the last five years, variable-rate mortgages and adjustable-rate mortgages have gained considerable popularity with homebuyers. As a result, the demand for securitization products for variable-rate and adjustable-rate mortgages increased.

In Canada, we are also noticing rising competition for consumer lending, with new lenders and new mortgage products that are designed to enable higher consumer leverage.

Regulatory Environment

Many of the same issues and trends affecting CMHC's mortgage insurance business will also have an impact on its guarantee activities resulting from the *National Housing Act Mortgage-Backed Securities (NHA MBS)* and Canada Mortgage Bond programs. Overall, however, the demand for CMHC guaranteed mortgage securitization products is not expected to be negatively impacted by Basel II or the possible changes to the *Bank Act* as lenders will still require access to low-cost mortgage funding. However, since mortgage insurance is required for financial institutions to securitize mortgages via CMHC's securitization programs, changes to the legislative requirement for mortgage insurance on high-ratio loans may make CMHC's guaranteed mortgage securitization more expensive for financial institutions if they are not able to pass the insurance cost on to borrowers.

Nonetheless, it is expected that the Canadian housing finance system will continue to move from a deposit-based on-balance-sheet funding model to a model where securitization, likely with some form of sovereign guarantee, will dominate. The impact of changes in the operating environment is more likely to be greater pressures for increasing sophistication and the ability of CMHC to consider other credit enhancements, as opposed to the current approach which relies solely on mortgage insurance as the credit enhancer.

Review of Crown Corporation Borrowing Framework

The Department of Finance is in the process of conducting a review of the borrowing framework governing major Crown corporations who borrow from the capital markets, including CMHC, to determine whether the current framework is functioning effectively and to review alternative borrowing frameworks. As a result of this review, the Department of Finance is considering the centralization of Crown borrowing activities with the government's own borrowing program. The review includes the capital market activities of the Canada Housing Trust, which is an independent trust that issues Canada Mortgage Bonds.



In 1986, CMHC introduced *National Housing Act Mortgage Backed Securities (NHA MBS)* as an alternative to investing in individual mortgages. For the first time, NHA MBS offered private investors the opportunity to invest in a pool of insured residential mortgages issued by Canada's mortgage lenders, carrying guarantees of timely payment by CMHC. As a result, CMHC was able to help ensure a ready supply of low-cost funds for housing finance and help keep mortgage lending costs as low as possible for homeowners. Building on this success, in 2001, housing affordability received a boost when CMHC introduced Canada Mortgage Bonds, aimed at ensuring the supply of low-cost mortgage funding and keeping interest rates low.

CMHC continues to be a leader in secondary mortgage markets in Canada. This past year, we expanded our securitization program to better meet the needs of mortgage originators and investors, and we will continue to explore options and opportunities to help lower the cost of homeownership for Canadians.

While mortgage securitization will continue to grow in Canada, CMHC's role and activities, including the Canada Mortgage Bond Program, may be affected by this review. A centralized borrowing framework could impact CMHC's and Canada Housing Trust's borrowing and asset-liability management strategies. CMHC will continue to work closely with agencies involved in the review to improve federal borrower effectiveness and efficiency.

ANALYSIS OF OUR PERFORMANCE

We Helped to Ensure a Steady Flow of Low-cost Funds For Mortgage Lending

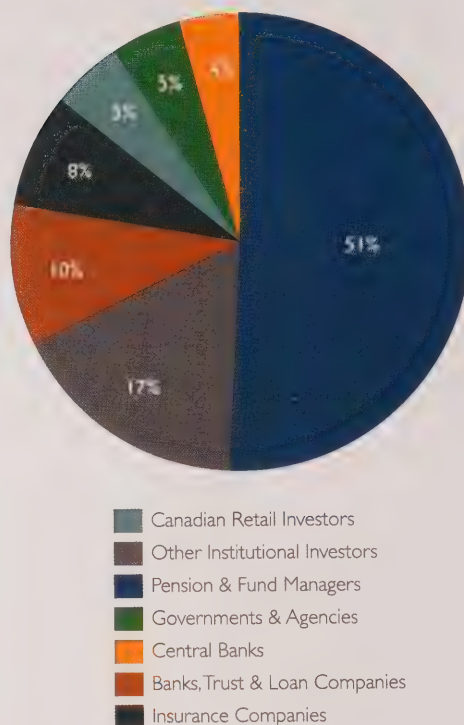
CMHC facilitates a steady flow of low-cost funds for mortgage lending through the guarantee of mortgage-related securities, including NHA MBS issued by Canadian financial institutions and Canada Mortgage Bonds issued by Canada Housing Trust. This helps to keep mortgage interest rates as low as possible. These securities also benefit investors by providing high quality, secure investments in Canadian residential mortgages.

In 2005, CMHC guaranteed timely payment of interest and principal on a total gross issuance of \$12.3 billion in NHA MBS. NHA MBS are created when a CMHC approved seller brings together a pool of eligible mortgages for the purpose of transforming the mortgages into securities that can be sold to investors.

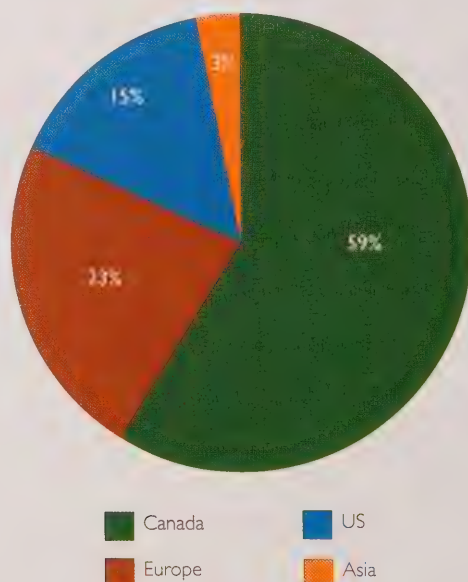
In 2005, CMHC also guaranteed timely payment on the seven Canada Mortgage Bond issuances by Canada Housing Trust, totalling \$18.1 billion.

Canada Housing Trust sells Canada Mortgage Bonds to investors and uses the proceeds to purchase newly issued NHA MBS from approved sellers. To provide investors with a bond-like investment, Canada Housing Trust transforms the monthly cash flows from NHA MBS pools into non-amortizing bond cash flows with fixed interest payments and principal at maturity.

Original Distribution of CMB by Investor Type
(Issues in 2005)



Original Distribution of CMB by Region
(2001 through 2005)



In addition to guaranteeing timely payment on Canada Mortgage Bonds, CMHC acts as the financial services advisor to Canada Housing Trust, providing certain financial advisory services related to determining market demand for bond issuance, and engaging of an underwriting syndicate to underwrite bond issues. CMHC receives a fee from Canada Housing Trust for its services as guarantor and financial services advisor. The day-to-day activities of Canada Housing Trust are administered through a separate corporate entity serving as the trust administrator.

In 2005, the Canada Mortgage Bond Program provided fund rates that were competitive, with an average 9.2 basis point spread above equivalent 5-year Government of Canada securities. This includes a spread of 7.6 basis points at the time of the Canada Mortgage Bond issue in September — the tightest spread ever realized in the program. This indicates that investors consider the Canada Mortgage Bonds as nearly equivalent to Government of Canada bonds in terms of risk and liquidity, which is helping to make Canada Mortgage Bonds attractive to a wide range of investors in domestic markets, and increasing the bonds appeal in global markets.

In sum, a total of \$30.4 billion of mortgage-related securities were guaranteed by CMHC in 2005, bringing the total guarantees in force to \$103.7 billion, a 28% increase over 2004. At the time of planning, the assumption was that an upward trend in interest rates would cool the residential sector. However, strong demand in both housing and bond markets in 2005 accounted for much of the increase in securitization over the year.

OUR STRENGTHS

- Leader in secondary mortgage markets in Canada — facilitating opportunities for high-quality, secure investments in residential mortgages.
- Well-designed securitization programs that minimize CMHC's exposure to the risk of default by participating financial institutions.
- Close ties to the Canadian financial community and good understanding of mortgage originator and investor needs.

CHALLENGES / OPPORTUNITIES

- Positioning CMHC guaranteed mortgage securitization program in a changing housing finance landscape, which will likely result in increased demand for more sophisticated securitization products.
- Developing innovative ways for financial institutions to securitize a wider range of mortgages to continue to help lower the cost of homeownership for Canadians.
- Ensuring the appropriate organizational structure and talent base to effectively take advantage of opportunities in mortgage securitization.

NEXT STEPS

- Implement a new directional strategy given pending regulatory and other changes in CMHC's operating environment.
- Continue to work with the market to develop new securitization products, including enhanced products for smaller lenders.
- Increase investor relations activities with key investors and dealers.

Corporate Performance Measures	2004 Results	2005 Target	2005 Results	2006 Target
Annual securities guaranteed (\$ millions)	29,592	18,000	30,374*	18,000

* Target met or exceeded * Target substantially met † Target not met

We Expanded our Securitization Program to Better Meet the Needs of Mortgage Originators and Lenders

In 2005, the increased activity was facilitated by the first full year of issuance of floating rate Canada Mortgage Bond notes. Three issues were completed totalling \$3.07 billion, including the largest Canadian dollar floating rate note (\$1.2 billion) issued in the Canadian public market. This shows the continued commitment by Canada Housing Trust, supported by CMHC as guarantor and financial services advisor, to structure housing debt that meets the needs of both mortgage originators and investors.

CMHC also worked to expand the range of financial institutions able to securitize and fund mortgages via our securitization programs and introduced several enhancements to the NHA MBS Program and the Canada Mortgage Bond Program to help increase the supply and variety of mortgages that can be funded through these programs. By making CMHC guaranteed low-cost funding alternatives available for more financial institutions to securitize a wider range of mortgage products, we are helping to lower costs for Canadian homeowners on a wider range of mortgages. In particular, CMHC introduced new flexibilities to the Canada Mortgage Bond Program allowing for its guarantee to apply to the securitization of adjustable rate mortgages that have been very popular with Canadian homeowners, as well as introducing term flexibilities to allow the securitization of shorter term mortgages.

2.3 Provide Comprehensive, Timely and Relevant Information to Enable Canadian Consumers and the Housing Sector to Make Informed Decisions

■ WHAT WE DO

As Canada's housing expert, we provide a wide range of objective, and reliable housing information.

■ WHY IT MATTERS

We help industry participants make informed business decisions.

We help consumers make informed choices, whether purchasing, renting, renovating, or maintaining their home.

■ HOW WE GET IT DONE

We work with academics, other government organizations, and industry experts to produce top quality data and research.

We share our knowledge and expertise with the housing industry through conferences, seminars and media releases.

We offer ready access to our information products through our Canadian Housing Information Centre (CHIC) at 1 800 668-2642 and on our website.



1947

CMHC begins providing the industry with valuable statistics on housing starts and completions and information on new construction technologies.

CMHC TOOLBOX

We draw on the following tools to achieve this strategic priority:

Research Publications

- Canadian Housing Observer
- Research Highlights series
- About Your House fact sheet series
- Variety of topical reference materials, such as:
 - Canadian Wood-Frame House Construction
 - Homeowner's Manual
 - Home Care: A Guide to Repair and Maintenance
 - Your Guide to Renting a Home
 - Guide to Cooperative Housing

Research Initiatives

- Directed Research Program
- External Research Program
- National Housing Research Committee
- Housing Awards Program
- Affordability and Choice Today Program
- Information transfer — seminars, presentations, electronic newsletters

Market Analysis Products

- Housing Market Outlook series
- Housing Now series
- Housing statistics series
- Rental market reports
- Time series data
- Housing Outlook conferences/seminars

For additional information on CMHC's programs and services, visit our website, www.cmhc.ca

WHAT FACTORS INFLUENCED OUR PERFORMANCE?

Housing is a Key Component of the Canadian Economy

After several very strong years, housing-related spending in current dollars grew 5.4% in 2005, compared to growth of 6.3% for the rest of the economy. Employment in the construction industry continued to grow faster than in most other industries.

Despite a dip in consumer confidence that accompanied the spike in fuel prices in the wake of the Gulf coast hurricanes in the early fall, consumer confidence has been very strong over the year. We expect this strong consumer sentiment to prevail throughout 2006 as interest rates remain low, and income gains continue. Going forward, rising consumer sentiment is expected to be reflected in stronger consumer spending. This should keep the demand for home-ownership and home renovations fairly strong.

Housing is a Significant Determinant of Quality of Life

Adequate, affordable and quality housing is a major determinant of the health and well being of society. Educational attainment, crime levels, and overall population health are all linked to housing supply and conditions. Information on housing options, markets, costs, efficiency, durability, indoor air quality and other areas of interest help maximize the social benefits associated with housing investments.

Industry, consumers, policy analysts, and other housing stakeholders require information and market intelligence to ensure that Canadians continue to be well housed, to ensure sound decisions are made for the benefit of all, and to ensure that housing-related issues are considered when broader policy decisions are made.

ANALYSIS OF OUR PERFORMANCE

We Provided Important Housing Research to Canadians and the Housing Sector

Relevant, timely and comprehensive information helps Canadians make informed decisions about their housing choices, and supports the well-being of Canada's housing sector. That's why we offer a full range of information, from market analysis and forecasting information through technical information aimed at builders and renovators, to how-to guides for consumers.

OUR STRENGTHS

- Premier source of reliable and objective housing information in Canada.
- Extensive database and knowledge gathered over 60 years of collecting housing data and researching housing issues.
- Ability to inform consumers, municipal government leaders and other industry stakeholders on key issues related to housing.

CHALLENGES AND RISKS

- Using research and information products as tools for developing and delivering on public policy.
- Promoting the vast array of CMHC resources and products to the general public and targeting consumers with specific needs.
- Effectively sharing our expertise to increase awareness of key housing-related issues among industry participants.

NEXT STEPS

- Continue to adapt information products to meet the needs of clients as we understand them based on our ongoing client satisfaction surveys.
- Review the housing survey methodologies related to housing starts and completions and rental markets.
- Review the market analysis suite of products and services to ensure the product offering continues to be relevant to clients.

In 2005, CMHC developed or revised 113 research information products. We published 56 *Research Highlights*, which provide relevant information on a diverse range of socioeconomic and technical topics. In addition, we continued to prepare and publish *About Your House* fact sheets, addressing common housing questions, issues and problems.

Additional examples of our housing research publications in 2005 include:

- *The Canadian Housing Observer*, third edition
- *Canadian Wood-Frame House Construction* (revised)
- *Your Guide to Renting a Home* (revised)
- *Guide to Cooperative Housing* (new)

To bring the benefits of CMHC's housing expertise and research programs to a broader range of individuals and encourage more informed housing choices, we delivered 350 presentations on a variety of topics, reaching a combined audience of almost 17,000 individuals. Participants in our information transfer seminars found the seminars and presentations to be useful, with the seminars receiving an overall satisfaction rate of 94%, significantly above our target of 70%. As the measure and target were newly introduced in 2005, future targets will be adjusted accordingly.

In 2005, for example, we held 26 *Build & Renovate to Avoid Mold and Indoor Air Quality Investigator* workshops, with the objective of increasing the capacity of the housing industry (i.e., builders, renovators, inspectors, health professionals, and building officials) to deal with indoor air problems. We also offered a variety of workshops dealing with flexible design concepts, as well as accessible and barrier-free design, to inform Canadians, industry participants and other specialists on a range of relatively low-cost home modifications to make a home accessible to seniors and people with special requirements.



1992

The Healthy Housing™ concept is introduced and demonstrated in Toronto.

Corporate Performance Measures	2004 Results ¹	2005 Target	2005 Results	2006 Target
Recipients of newly-published <i>Research Highlights</i> who found them useful (%)	70	70	69*	70
Recipients of newly-published <i>About Your House</i> fact sheets who found them useful (%)	84	80	83*	80
Information transfer seminar attendees who found them useful (%)	n/a	70	94*	70

* Target met or exceeded * Target substantially met † Target not met

¹ 2004 data represents the results of the baseline survey used to establish targets for 2005. The targets for 2006 will be established once a significant data sample is required prior to the next survey.

We Offered Reliable Housing Market Information to Canada's Housing Sector

The Corporation's market analysis function tracks housing markets and provides national, regional and local housing forecasts, analysis and data to consumer industry and government. Reliable market information is critical to helping the housing industry and consumers make sound investment decisions. In 2005, CMHC ranked 2nd among 17 Canadian housing forecasters, representing an improvement of two ordinals over 2004.

To encourage wider distribution of our print publications, the electronic editions of our standardized national suite of publications became free and accessible on our website in November 2005.

In 2005, we continued to expand the range of information that we collect and provide to our clients. We implemented changes to the rental market survey to begin collecting rental availability data, as distinct from rental vacancies, in all centres with a population greater than 10,000. The results were publicly released in December, providing clients with a more complete view of the availability of rental accommodation.

We also concluded a feasibility study of indicators of the secondary rental market (such as rented condominiums, duplexes and secondary suites), and conducted pilot surveys based on the results of the feasibility study. The pilot results support the adoption of the secondary rental market data collection. We will continue to work on the development of the secondary rental market data collection in 2006.

CMHC's Housing Outlook Conferences and other market analysis presentations offer a range of opportunities for housing industry participants to discuss CMHC's market analysis and forecasts directly with CMHC experts and to network with other industry participants. Our events were attended by record numbers in 2005, with more than 29,000 people participating in the 20 conferences and seminars and 354 presentations held across the country.

The market analysis publications and Housing Outlook Conferences were rated highly by users, with 95% and 99% of survey respondents rating the publications and events, respectively, as useful. Results for these new measures are both significantly above our initial target of 70%, which will be revisited next year and as more data becomes available in subsequent years.

Going forward, we will complete additional pilot surveys which will explore new sources of housing data, and conclude the final stages of a review of products and services to ensure that they continue to be responsive to client needs.

Corporate Performance Measures	2004 Results	2005 Target	2005 Results	2006 Target
Forecast accuracy for housing starts (%)	-14	Within 10% of actual	-6.8*	Within 10% of actual
Ranking of housing start forecast accuracy among forecasters	4th among 17	CMHC rank within top quartile	2nd among 17*	CMHC rank within top quartile
Recipients of market analysis publications who found them useful (%)	n/a [†]	70	95*	70
Attendees at Housing Outlook Conferences who found them useful (%)	n/a [†]	70	99*	80

* Target met or exceeded * Target substantially met † Target not met

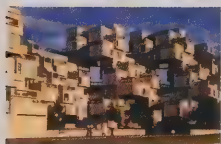
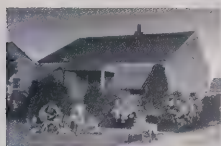
2005 was the first year of data collection.



Throughout our history, we have conducted research and collected extensive information and expertise on a host of housing-related issues. We have also been at the forefront of providing timely and reliable information on housing markets. In 1947, CMHC initiated surveys and the release of housing statistics, becoming the foundation for the Market Analysis Centre created in 1987. Researching critical housing issues and sharing our knowledge and expertise to improve housing in Canada continue to be a key focus of our activities. Our flagship information product — the *Canadian Housing Observer* — is an annual publication which provides a comprehensive statistical portrait of how well Canadians are housed, and charts key trends and developments affecting this important sector of Canada's economy. In 2006 and beyond, we will continue to develop and position our products as important resources for policy development.

Objective Three

ENSURE THE CANADIAN HOUSING SYSTEM REMAINS ONE OF THE BEST IN THE WORLD



As Canada's national housing agency, CMHC plays a lead role in ensuring that the Canadian housing system remains among the best in the world. Over the past 60 years, we have been continually evolving to meet the changing needs of Canadians. We promote housing and housing development that is sustainable and healthy, providing lasting value to Canadians. We continually examine the functioning of the housing system to identify gaps which may leave some Canadians unable to access suitable and affordable housing. And we work with our government, community and industry partners to address these gaps.

Because we understand the value that our housing system brings to Canadians, we sell our expertise to countries around the world who are interested in adapting our housing solutions to meet their needs and realities. We promote Canadian housing technologies and building practices through our support to housing exporters.

To continue to play a leadership role in housing at home and abroad, we ensure that CMHC is a strong organization able to fulfill our mandate and meet the challenges we face in the future.

RESOURCES

\$91.7 million in operating expenses

686 Staff Years

3.1 Ensure Canada's Housing System Remains One of the Best in the World

■ WHAT WE DO

We advise the Government of Canada on matters of housing policy.

We are a leader in promoting the concept of healthy housing and sustainable communities.

■ WHY IT MATTERS

We work to ensure that the Canadian housing system remains one of the best in the world, and that all Canadians reap the benefits of our world-class housing system.

A healthy house is one that is good for the people who live in it, good for the community and good for the planet.

Sustainable neighbourhood designs and land use reduce infrastructure costs and environmental impacts, while maintaining community livability.

■ HOW WE GET IT DONE

We develop and implement housing policy and programs that ensure government, communities and the housing sector are working together to meet the needs of all Canadians.

We work with academia, industry, governments and other housing stakeholders to develop and share examples of best practices in design, development and standards.

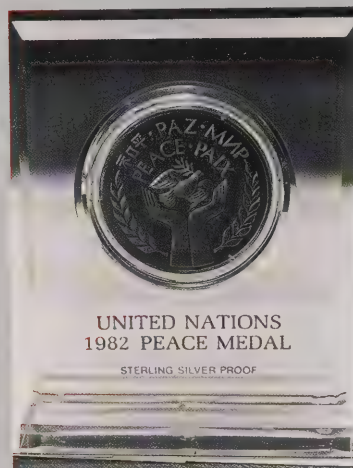
We work directly with communities in developing innovative, sustainable development solutions, tailor-designed to meet their unique needs.

We encourage energy efficiency and offer readily accessible, practical tips for your home.

CMHC TOOLBOX

We draw on the following tools to achieve this strategic priority:

- Housing policy development
- Net Zero Energy Healthy Housing demonstration initiative
- Sustainable development and community design workshops
- Mortgage Loan Insurance for Energy-Efficient Homes
- Range of information products and services



1983

CMHC is awarded the United Nations 1982 Peace Medal for promoting a better understanding among people of the ECE (Economic Commission for Europe) countries as host of a study tour on housing, buildings and planning.

For additional information on CMHC's programs and services, visit our website, www.cmhc.ca

WHAT FACTORS INFLUENCED OUR PERFORMANCE?

While Canada has One of the Best Housing Systems in the World, There is a Need for Periodic Review so that Canadians Continue to Reap the Benefits of Evolution and Renewal

Because Canada has a well-functioning housing system, approximately 86% of Canadians are able to meet their housing needs. Nonetheless, many Canadians require some housing assistance — 14% of Canadians are unable to access safe, affordable housing, and almost 150,000 are estimated to be homeless.

Through a series of consultations held in late 2004 and early 2005, housing industry stakeholders consistently expressed that there was a need for a community-based, partnership approach that would build on existing housing programs and introduce new initiatives to create a complete toolbox of programs to respond to the needs of all Canadians. Following the consultations, expectations among housing stakeholders are high, and municipalities are pressing for action on affordable housing.



2003

The Seabird Island First Nation Sustainable Community Demonstration Project on Seabird Island Reserve, Agassiz, British Columbia is funded under the guidelines of CMHC's On-Reserve Housing Program. The project combines the latest concepts in housing construction and design while honouring Aboriginal culture.

Sustainable Housing and Communities Contribute to a Strong Canadian Housing System

Housing is a key element of environmental sustainability and quality of life because it is such a heavy consumer of resources in its construction, maintenance and operation. It also lasts for a long time, affecting energy consuming activities and other key facets of our lives, such as transportation, infrastructure, community, employment, and health. The residential sector accounts for some 18% of Canada's total energy demand and much of the infrastructure costs faced by municipalities relate to servicing low-density urban development patterns.

Better building practices will continue to be critically important in slowing Canada's total demand for energy, which is projected to increase by 1.5% per year to 2025 due primarily to population and economic growth. Developments in construction techniques and building materials, and the increasing market share for energy-efficient household appliances have significantly improved the energy efficiency of homes. Although total residential energy use increased by 3.7% between 1990 and 2001, the increase would have been six times higher without improvements in energy efficiency and conservation. On average, houses built between 2001 and 2004 use approximately half the amount of energy as those built before 1946.

Housing industry participants generally acknowledge that the costs of ineffective and unsustainable building and planning practices are too high to ignore, and this is motivating many communities to look for new approaches to planning that involve all parties in the process.

ANALYSIS OF OUR PERFORMANCE RESULTS

We Played a Key Role in Consultations and Policy Development to Renew Canada's National Housing Strategy

As Canada's national housing agency, we play a lead role in ensuring that the Canadian housing system remains among the best in the world, continually evolving to meet the changing housing needs of all Canadians. We regularly examine the functioning of the housing system to identify gaps that may leave some Canadians unable to access adequate and affordable housing, and develop and recommend policies and programs to effectively address the gaps.

In 2005, we worked with our partners to create a long-term national housing strategy, with a vision of adapting Canada's housing system to the changing needs of Canadians. We assisted in the organization of eleven community forums, five expert roundtables and an urban Aboriginal roundtable to achieve broad-based agreement on the way forward. The consultations called for all levels of government, community organizations and the private sector to work together to better integrate existing programs and broaden the tools available to local communities in addressing the root causes of housing affordability problems and homelessness. Discussions on the development of a new Canadian housing framework were also carried out with provincial and territorial Housing Ministers and officials in September 2005.

We Focused a Great Deal of Our Research on Sustainable Development to Help Ensure that Canadians Remain Among the Best Housed People in the World

In 2005, CMHC contributed \$1 million to launch the first phase of a Canadian Net Zero Energy Healthy Housing (NZEHH) initiative. This government/industry partnership builds a vision for reduced energy consumption and healthy communities through the application of healthy housing principles. It is also an important next step towards creating sustainable communities and healthy cities in Canada.

In 2006, a national competitive process to select design/development teams for the pilot NZEHH demonstration projects will take place. The design and construction of Net Zero Energy Healthy Housing demonstrations will follow in all regions across Canada. The initiative also includes creating and delivering information products to build consumer awareness and industry capacity for the broad-scale, long-term delivery of quality NZEHH communities in all regions in Canada.

We encouraged energy efficiency in Canadian homes

To encourage Canadians to adopt energy-efficient practices and technologies, CMHC, in partnership with Natural Resources Canada, began delivery of the new EnerGuide for Low-Income Households. The program was designed to assist low-income Canadians to cope with high energy costs by funding certain energy retrofits and to be delivered through CMHC's existing delivery network for our renovation programs. The program was also designed to complement initiatives with provinces and territories.

OUR STRENGTHS

- A rich expertise base arising from over 60 years as Canada's national housing agency.
- A depth of recognized experience in housing policy development.
- Broad network of established relationships with other levels of government, private and non-profit stakeholders.
- Extensive, well-organized community delivery network.
- Experience in applying research knowledge base to stimulate the development of designs and technologies.

CHALLENGES AND RISKS

- Ensuring that all Canadians benefit from a well functioning housing system.
- Making the link between housing and key policy matters such as the environment and infrastructure.
- Developing programs and technical criteria that meet the needs of various stakeholders.

NEXT STEPS

- Manage the federal, provincial and territorial consultation process and facilitate enhancements to the Canadian housing system.
- Continue to develop policy proposals on new or improved tools, including possible enhancements to existing programs.
- Contribute to a better understanding of the environmental performance of housing.

In 2005, CMHC provided technical and financial support to develop an energy management plan for Ontario's social and non-profit housing stock. This investment in energy efficiency upgrades supports the renewal of the housing stock, as well as improved occupant health and comfort, enhanced durability, and reduced operating costs. It also supports efforts to maintain and sustain existing energy distribution networks and to slow the need for new energy infrastructure.

We worked with municipalities to encourage sustainable development

In 2005, we continued to examine issues related to brownfield redevelopment, and identified two communities to pilot risk-sharing projects in 2006. If successful, the pilots will form a model for residential intensification through risk-sharing approaches to brownfield redevelopment.

In 2005, we continued our focus on small communities to provide them with the resources needed to make informed planning decisions. We developed and delivered the Sustainable Development Workshop for Small Municipalities across the country, reaching 300 municipal councillors and staff. The workshops increased awareness of the benefits of sustainable community planning and development and of the available options and resources to meet their objectives.

We also supported and participated in integrated design workshops in various communities across the country, including in northern communities. These innovative brainstorming workshops bring together multiple stakeholders and design experts over a period of several days in order to develop solutions to complex site specific issues. They increase community learning, inspire more innovative solutions, evolve greater understanding and support of plans, and enable more effective stakeholder involvement in the sustainable community planning and building design process.



CMHC's leadership in the 50's and 60's helped expand the government role in housing to include urban renewal and planning, in response to increased urbanization and concern for the housing conditions of low-income families. Neighbourhood improvement initiatives shifted the focus from building homes to building communities — affordable, mixed income communities that later incorporated sustainability as a key focus. Building on this rich tradition, CMHC has recently enhanced its role in community development. Moving forward, we will continue to build on our partnership efforts and our tool kit to better address housing issues and create community-based sustainable housing solutions across the country.

3.2 Support and Promote Canada's World-class Housing Products, Services and System Internationally

■ WHAT WE DO

We act as consultants, developing and implementing solutions to the housing and housing finance challenges faced by our international clients.

We support Canadian exporters in the housing industry, promoting Canadian products and services in countries around the world.

We represent Canada on housing matters both domestically and abroad.

■ WHY IT MATTERS

We enhance the quality of life and improve the housing conditions in developing countries and emerging economies.

We contribute to the strength and innovative capacity of the Canadian housing export industry.

We help create jobs from coast to coast, which contributes to a vibrant Canadian economy.

We participate in the United Nations and contribute to important initiatives such as the Middle East Peace Process.

■ HOW WE GET IT DONE

We present the benefits of Canadian housing solutions and assist clients to make decisions aimed at strengthening their economies.

We support Canadian businesses in their search for diversified markets and new housing export opportunities.

We promote awareness, recognition and access for Canadian housing products, services and technologies abroad by working in partnership with industry and government.

We host foreign delegations to Canada to enhance their understanding and awareness of Canadian housing solutions.

CMHC TOOLBOX

We draw on the following tools to achieve this strategic priority:

- CMHC International Housing Export Services
- CMHC International Consulting Services
- CMHC International Relations



1966

CMHC won a \$2.1 million contract to build 173 CMHC-designed houses in Harlow, England.

For additional information on CMHC's programs and services, visit our website, **www.cmhc.ca**

WHAT FACTORS INFLUENCED OUR PERFORMANCE?

Economic Conditions Generally Favour Canadian Exporters

Several key factors are pointing to continued growth in Canadian exports. First, the world economy is in good shape with above average growth experienced in 2004 and 2005, and expected again in 2006. World economic strength has resulted in increased demand for Canadian goods and services, partially offsetting the negative impact of the Canadian dollar's strong appreciation since 2003. Second, exporters are poised to realize considerable productivity gains as a result of both investments in machinery and equipment, which should translate into improvements in labour productivity. This should offset the effects of a rising Canadian dollar on demand and profits.

Risks to the Overall Export Outlook Remain

There are some key risks to the overall outlook for Canadian exports. The foremost risk remains the continued rise of the Canadian dollar against the American dollar. Export goods priced in Canadian dollars are made more expensive and, therefore, less attractive, in foreign markets. In addition, to the extent that Canadian export goods are priced in American dollars at international market prices, Canadian exporters realize lower profits in Canadian dollar terms.

There is also the potential for rising energy and gasoline prices to curb consumer confidence and spending in the US and in other key international markets.

Canadian Exporters are Pursuing Growth Opportunities in Developing Nations

Although the US remains the primary destination for Canadian exports, with a 94% share of the total, Canadian exporters are looking to new markets for growth opportunities. Markets with the greatest growth potential tend to be in developing and emerging economies. And, Canadian exporters are increasingly doing business in these nations. While trade with developing and emerging economies is providing new opportunities for Canadian export goods and services, it also poses many challenges as Canadian exporters and policy makers adjust to changing competitive and political landscapes.

As a result, support for exporters is becoming increasingly important to ensure that Canadian businesses are able to take advantage of expanding market potential and international opportunities. Government and industry are continuing to strengthen access to North American markets, while acknowledging that Canada's economic interests extend well beyond North America and that the nation's future prosperity depends on working with partners to open up markets with strong potential.

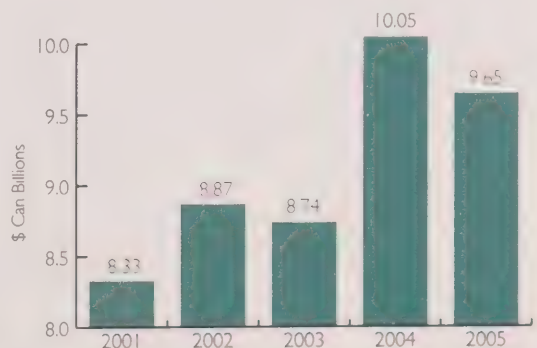
Housing Exports Add to Economic Growth

Canada sells a variety of housing-related materials to other countries to assist them in providing new housing and renovating existing housing. These include building materials, manufactured components and complete building systems, as well as a range of expertise in urban planning, and in designing and building homes. The exports of value-added, housing-related products in 2005 remained unchanged, at \$9.65 billion, compared to a year earlier. The US continues to dominate as the primary destination for Canadian exports, accounting for 70% of all prefabricated building.

There is Some Potential for Weakness in Global Housing Markets in 2006

The potential for weakness exists in global housing markets, including the US and the UK. Elevated levels of consumer debt may become problematic, particularly when rising gasoline and home heating costs are considered. The impact of rising energy and production costs on inflation has also increased the likelihood that interest rates may rise in the near term. These risks are somewhat mitigated in the US, however, because homeowners are locking in their mortgages at low rates, sheltering them somewhat from rising interest rates.

Canadian Housing-Related Building Products Export
(Excluding Lumber Industries)



ANALYSIS OF OUR PERFORMANCE

We Offered Housing Solutions Around the World

Through our international consulting services, we offer, on a commercial basis, housing and housing finance solutions to countries around the world to improve housing affordability and accessibility. We often work with international financing institutions, foreign governments and other international public and private agencies, in partnership with other Canadian companies and organizations whenever possible. Our consulting services have had a significant impact on the capacity of numerous nations to address their most pressing housing challenges. We have helped China and Latvia to review their approaches to accessible and affordable housing finance, assisted Algerian banks to develop their mortgage markets, and worked in India, Mali and West Bank/Gaza to enhance their emerging mortgage markets.

In 2005, we achieved our target of \$1.2 million in revenues for consulting services in the areas of housing and housing finance. We also signed a significant number of new contracts in 2005 that will deliver future revenues. These new contracts include countries in which CMHC has not worked before, such as Oman, Jordan, Thailand and South Korea. CMHC has also been called upon to provide advice and services in areas of expertise that we have not previously delivered in an international arena, such as helping Egypt build capacity to produce a National Urban Observatory that will include elements similar to CMHC's Canadian Housing Observer, and developing housing policy and a residential rehabilitation program in West Bank/Gaza.

In 2006 and beyond, we will continue to contribute to Canada's broader foreign policy of supporting the economic and social development of emerging economies, while at the same time generating prosperity at home.

Corporate Performance Measures	2004 Results	2005 Target	2005 Results	2006 Target
Revenue from selling CMHC's expertise abroad (\$ millions)	1.3	1.2	1.3 *	1.5

* Target met or exceeded

* Target substantially met

† Target not met

OUR STRENGTHS

- Excellent reputation on the international scene as a reliable and knowledgeable consulting partner.
- Strong relationships and partnerships with key international players, such as the World Bank.
- Excellent client focus: Housing export clients indicate that they are highly satisfied with our services.
- Ability to produce tangible results for exporters, who indicate that we partnered in the creation of almost 3,000 jobs and \$260 million in export sales over the past four years.

CHALLENGES AND RISKS

- Helping relatively small Canadian housing export companies compete in the highly competitive world market.
- Overcoming a strong Canadian dollar and potential economic weakness within some key markets.
- Dealing with increased trade protectionism.
- Working in developing countries and emerging economies that are experiencing a degree of political and economic instability.

NEXT STEPS

- Share best practices with an international audience when CMHC organizes the 26th World Congress of the International Union for Housing Finance and Canada hosts the World Urban Forum in 2006.
- Support the development of efficient housing finance systems and housing policies in emerging economies.
- Expand Super E export sales by matching Canadian prefabricated housing suppliers with large developers in the United Kingdom, and establishing a program in China.

We Worked with Canadian Housing Exporters to Expand their Businesses Internationally

While expansion in the US remains important, CMHC's objective is to diversify Canada's exports by encouraging companies to expand to high-potential markets. The growing interest in healthy and energy-efficient housing is establishing a strong position for the Canadian housing industry and Canadian housing know-how, particularly the Super E brand, in key markets.

Corporate Performance Measures	2004 Results	2005 Target	2005 Results	2006 Target
Overall satisfaction rate of key export clients (%)	79	70	84*	75 [†]
Value of CMHC-facilitated sales reported by key clients (\$ millions)	67.8	55.2	66.7*	71.4

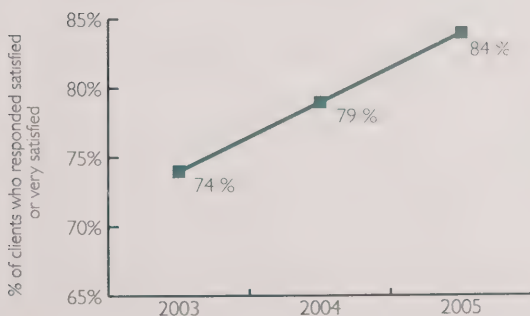
* Target met or exceeded † Target substantially met ‡ Target not met

[†] The record level of satisfaction in 2005 was higher than was anticipated when the 2006 target was established, but will be reflected in the 2007 target when it is set

In 2005, 87 key clients reported total sales of almost \$67 million (121% of the annual target) that they acknowledge as having been facilitated by CMHC International. This number reflects the excellent alignment of CMHC efforts in markets that are of particular interest to our clients. While progress is slow in some emerging markets, it is a known fact that longer time-lines are required for significant results in these countries. In 2005, these were counter-balanced by unique and unexpected successes in markets such as Russia.

In an annual survey, CMHC International's export clients gave CMHC a satisfaction rating of 84%, the highest ever. The results show that CMHC International clients are very satisfied with the services they are receiving, particularly with the quality of service provided by CMHC International representatives. CMHC International's efforts are not only leading to sales, but are also developing closer ties with clients, gaining the trust of potential foreign buyers, deepening understanding of international markets, and building relationships

CMHC Export clients are increasingly more satisfied with the service they receive



with partner agencies. These steps will help Canadian exporters for success and growth through in the future.

Our long-term goal is to increase Canadian housing exports, leading to job creation in the sector. Over the next 4-5 years, our activities are expected to create maintain approximately 4,000 domestic person-years of employment in the housing sector. We will continue to help key clients identify business opportunities by offering market intelligence, matchmaking events, market access strategies and customized business missions. To assist in gaining market entry, CMHC will continue to promote awareness and recognition of Canadian housing codes and standards, and facilitate the attaining of certification and home warranties for the Canadian housing system.



Our solid credibility as Canada's national housing agency led naturally to CMHC becoming the face and voice of the Canadian government in the international housing arena. Through the decades, CMHC has developed bilateral relations with other national governments and their agencies to help increase housing affordability and quality, and promote sustainability in response to intense urban growth around the world. In 1983, CMHC was awarded the United Nations 1982 Peace Medal for promoting a better understanding of housing, building and planning issues. CMHC's recent international efforts are focused on promoting Canada's housing products, technologies, expertise and services across the globe. In 2006 and beyond, we will continue to promote our housing finance system, which is considered a best practice in many parts of the world for its ability to provide safe, quality and affordable housing for its citizens.

3.3 Ensure that CMHC is a strong organization able to fulfill its mandate

■ WHAT WE DO

We ensure that we remain a strong, responsible and progressive organization, drawing on our 60 years of experience to serve the housing needs of Canadians.

■ WHY IT MATTERS

We provide benefits to Canadians that are fundamental to their quality of life and well being.

Effective management of resources and efficient operations mean greater value for Canadians.

■ HOW WE GET IT DONE

We manage our business in an ethical and accountable way, recognizing that our human resources are our greatest asset.

We use sound financial, administrative, and technology processes and systems.



For additional information on CMHC's programs and services, visit our website, www.cmhc.ca

WHAT FACTORS INFLUENCED OUR PERFORMANCE?

A Strong Need for Robust Governance and Accountability Frameworks

Following recent corporate failures in Canada and the US, accounting standards and guidelines are being reviewed and revised by standards-setting bodies to ensure transparency in reporting. New rules related to internal controls have also arisen to improve the quality and reliability of financial reporting, maintain investor confidence, and enhance overall governance of public companies. Canadian rules are being developed, and Treasury Board Secretariat is considering their application to Crown corporations.

Emphasis on Effective Risk Management Continues to Grow

Market and regulatory developments in relation to accounting standards, capital adequacy guidelines, and compliance have emphasized the need to improve corporate governance through effective risk management. Boards are increasingly involved in risk management and are demanding improvements in risk policy, compliance and financial reporting. The continued emphasis on risk management trends by regulators, notably through the Bank for International Settlements, and by rating agencies and investors support ongoing advancements and continued interest in enterprise risk management and the role it can play in organizations.

Increased Competition for Skilled Workers

The modern labour market is in the midst of change. Just as an aging population is affecting housing needs and preferences across the country, the pending retirement of many from the baby-boom generation is beginning to create talent management issues for organizations. In Canada, the number of men and women age 55 and over who are employed increased by 35% between 2001 and 2004, and this population now makes up 13 per cent of the employed workforce. Conversely, there continues to be fewer workers to take the place of those that are retiring.

As a result of these workforce demographics, growing international competition and the rapid pace of technological development and innovation, many employers are increasingly aware and concerned about possible skill shortages and the need to foster skills development and learning among new labour market entrants as well as the existing workforce. These same factors are also reinforcing the need to adopt competitive human resource management practices to attract and retain a skilled workforce, who find themselves increasingly in demand.



1952
CMHC National Office opens its doors on Montréal Road in Ottawa.



Since our beginnings, we have been at the forefront of human resources practices, introducing leading edge programs and policies, and flexible benefits packages and options to respond to employee life changes and lifestyle choices. Our current focus on succession management reflects our desire to ensure we have the skills and expertise required to fulfill our mandate and provide valuable programs and services to Canadians. In 2006 and beyond, we will continue this focus to ensure our employees have the most up-to-date tools to succeed in their jobs and the supportive environment needed to advance. Our solid tradition of ethics and our values will also continue to underpin our activities as we move forward.

ANALYSIS OF OUR PERFORMANCE

We Introduced Innovations in Human Resource Management

CMHC has put in place a suite of human resources products that benchmark favourably against the best practices of external organizations. Our organization benefits considerably from the strength of our human resources product suite, which includes flexible work policies, progressive leave policies, competitive compensation package, and a values and ethics program.

In 2005, a high priority was placed on ensuring a good succession management framework for the Corporation. We brought greater precision to the succession management process by identifying corporate critical positions with vulnerable incumbents at all levels of the Corporation. This analysis was supplemented with an assessment of potential successors, and action plans are now being implemented for these positions. We also began to widen the scope of succession management through the design of an integrated talent management framework, which will be completed in the upcoming year.

Overall, the need to continue to focus on the development and recruitment of employees is demonstrated by the slight decline in the retention of new recruits over last year. CMHC will continue to monitor our retention rates as a means of gauging the effectiveness of our human resources practices, including the new talent management framework, and as a guide to how effectively we are keeping pace with the competitive labour market.

A significant portion of training investment originally slated for 2005 was deferred to 2006 in order that training initiatives could be better targeted to the corporate needs and priorities identified through the implementation of the succession management framework.

Corporate Performance Measures	2004 Results	2005 Target	2005 Results	2006 Target
Training investment per staff year (\$)	2,090	2,546	1,857 [†]	n/a
Retention rate of recent recruits (%)	96.0	Maintain 96% for 1-year retention	94.1 [†]	93% for 3–5 year retention

* Target met or exceeded * Target substantially met † Target not met

OUR STRENGTHS

- Strong, well-accepted values that guide all activities.
- Demonstrated evidence that the Corporation is well-managed, through four Special Examinations conducted by the joint examiners.
- Enhanced priority-setting exercise ensures alignment of priorities with resources.
- Comprehensive risk framework and extensive business performance reporting against corporate objectives and targets.

CHALLENGES AND RISKS

- Ensuring processes are in place to strengthen management's ability to respond to challenges in meeting objectives by reprioritizing and redirecting resources where needed.
- Developing enhanced methodologies and metrics to better demonstrate the value that CMHC's suite of programs and services bring to Canadians.
- Competing for individuals with the skills that CMHC requires in a public sector environment.

NEXT STEPS

- Complete the implementation of succession management plans for all critical positions at CMHC and launch the talent management initiative.
- Complete an asset allocation review of the Insurance and Securitization funds to allow better matching of assets with liabilities and better return optimization.

We promoted the value of CMHC to Canadians

As Canada's national housing agency, we believe that it is important for Canadians to comprehend the contribution of the federal government to housing and the value of quality housing in their lives. As such, the growth of awareness of CMHC programs and services remains a priority for the Corporation.

In 2005, we conducted spring and fall advertising campaigns targeting Canadian homebuyers and homeowners. The campaigns promoted the range of products and tools that we have made available to help Canadians make informed housing decisions and support energy efficiency. Unaided awareness of CMHC as Canada's housing agency increased to 27% in the fall of 2005 from 21% the year before, while overall awareness increased slightly to 81% from 80% a year earlier.

Corporate Performance Measures	2004 Results	2005 Target	2005 Results	2006 Target
Percentage of overall awareness of CMHC	80%	76%	81%*	76%
Percentage of unaided awareness of CMHC	21%	18%	27%*	18%

* Target met or exceeded * Target substantially met † Target not met

We invested in proven and reliable technologies

Because technological investments help Canadians get their mortgages approved faster, and provide fast and flexible online access to the wealth of expertise the Corporation has to offer, CMHC strives to invest in technologically advanced reliable systems. In 2005, CMHC's information technology systems were available for business essentially at all times as reflected in its overall indicator of technical excellence, the technology reliability index, which remained steady at 99.8% in 2005.

Corporate Performance Measures	2004 Results	2005 Target	2005 Results	2006 Target
Technology reliability index for key systems (%)	99.8	99.7	99.8*	99.7
Operating budget spent on information technology (%)	16.7	16.0	15.9*	16.0

* Target met or exceeded

BUSINESS HIGHLIGHTS

The following table summarizes the Corporation's results and projections for key business areas.

CORPORATE RESULTS	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual
Total Assets (in millions of dollars)*	28,465	41,430	59,925	81,008	101,093
Total Liabilities (in millions of dollars)*	27,200	39,621	57,449	77,582	96,665
Total Equity (in millions of dollars)	1,265	1,809	2,476	3,426	4,428
Total Revenue (in millions of dollars)*	4,106	4,634	5,563	6,560	7,334
Total Expenses (in millions of dollars)*	3,543	3,779	4,556	5,161	5,870
Operating Expenses (in millions of dollars)*	214	257	294	305	303
Net Income After Income Taxes (in millions of dollars)	345	544	667	950	1,002
Reserve Fund (in millions of dollars)	42	56	91	134	143
Staff Years	1,736	1,772	1,799	1,814	1,804
INSURANCE AND SECURITIZATION					
Annual Insurance Units Approved	507,237	583,225	517,795	652,573	746,157
Insurance in Force (in millions of dollars)	211,500	224,345	230,000	243,800	273,700
Net Insurance Claims Expense (in millions of dollars)	335	139	188	51	119
Annual Securities Guaranteed (in millions of dollars)	8,489	20,642	27,017	29,592	30,374
Securitization Guarantees in Force (in millions of dollars)	34,684	45,473	59,994	80,800	103,709
Premiums and Fees Received (in millions of dollars)	1,049	1,330	1,263	1,512	1,560
Investments (including cash) (in millions of dollars)**	4,914	6,021	6,910	8,097	9,380
Net Income After Income Taxes (in millions of dollars)	323	530	632	907	993
Unappropriated Retained Earnings (in millions of dollars)	260	348	123	155	854
Retained Earnings Set Aside for Capitalization (in millions of dollars)	938	1,380	2,237	3,112	3,406
HOUSING PROGRAMS					
New Commitments Under Renovation Programs (units)	23,800	24,850	18,467	25,539	21,990
New Commitments On-Reserve Non-Profit Units	1,050	1,050	968	978	1,045
Estimated Households Assisted Through Long-Term Commitments	640,800	638,850	635,900	632,650	633,000
Housing Program Expenses (in millions of dollars) (excluding operating expenses)	1,789	1,828	1,972	2,006	1,973
LENDING					
Loans and Investments in Housing Programs (in millions of dollars)	15,239	14,586	14,075	13,669	13,170
Borrowings from Capital Markets (in millions of dollars)	11,081	10,242	10,244	9,212	9,467
Borrowings from the Government of Canada (in millions of dollars)	5,692	5,474	5,232	5,045	4,899
Net Income After Income Taxes (in millions of dollars)	22	14	35	43	9
CANADA HOUSING TRUST					
Canada Housing Trust Assets (in millions of dollars)	4,716	18,125	35,422	54,975	73,208
Canada Housing Trust Liabilities (in millions of dollars)	4,716	18,125	35,422	54,975	73,208

* Historical results and future year plans have been restated to reflect the consolidation of Canada Housing Trust which took effect on 1 January 2005.

** Excluding investments related to repurchase activities.

*** 2006 plans were revised following November 2005 announcement of one-year extension of the renovation programs.

AND OUTLOOK

CORPORATE RESULTS	2005 Plan	2006 Plan	2007 Plan	2008 Plan	2009 Plan	2010 Plan
Total Assets (in millions of dollars)*	88,588	107,111	109,534	104,243	106,344	107,354
Total Liabilities (in millions of dollars)*	84,430	101,802	103,223	96,889	97,911	97,779
Total Equity (in millions of dollars)	4,158	5,309	6,311	7,354	8,433	9,575
Total Revenue (in millions of dollars)*	7,069	7,968	8,137	8,141	8,069	8,168
Total Expenses (in millions of dollars)*	5,859	6,538	6,652	6,596	6,470	6,476
Operating Expenses (in millions of dollars)*	368	384	383	391	398	406
Net Income After Income Taxes (in millions of dollars)	817	965	1,002	1,043	1,079	1,142
Reserve Fund (in millions of dollars)	133	139	136	133	129	125
Staff-Years	1,902	1,917	1,857	1,863	1,862	1,874
INSURANCE AND SECURITIZATION						
Annual Insurance Units Approved	564,589	574,633	571,691	568,220	571,267	575,130
Insurance in Force (in millions of dollars)	254,900	264,027	271,911	277,634	282,805	287,335
Net Insurance Claims Expense (in millions of dollars)	202	171	201	217	236	231
Annual Securities Guaranteed (in millions of dollars)	18,000	18,000	18,000	18,000	18,000	18,000
Securitization Guarantees in Force (in millions of dollars)	91,800	104,700	105,900	98,700	98,300	90,300
Premiums and Fees Received (in millions of dollars)	1,503	1,442	1,467	1,508	1,556	1,606
Investments (including cash) (in millions of dollars)**	9,007	10,075	11,167	12,239	13,394	14,631
Net Income After Income Taxes (in millions of dollars)	805	964	1,005	1,046	1,083	1,147
Unappropriated Retained Earnings (in millions of dollars)	182	1,497	2,201	3,089	4,019	5,094
Retained Earnings Set Aside for Capitalization (in millions of dollars)	3,819	3,648	3,949	4,107	4,260	4,331
HOUSING PROGRAMS						
New Commitments Under Renovation Programs (units)	22,675	19,054***	904	904	904	904
New Commitments On-Reserve Non-Profit Units	892	4,007	922	922	922	922
Estimated Households Assisted Through Long-Term Commitments	632,000	632,000	626,200	622,000	615,600	611,200
Housing Program Expenses (in millions of dollars) (excluding operating expenses)	2,103	2,059	1,883	1,913	1,875	1,862
LENDING						
Loans and Investments in Housing Programs (in millions of dollars)	13,348	13,186	12,934	12,811	12,651	12,443
Borrowings from Capital Markets (in millions of dollars)	9,317	9,146	9,124	9,342	9,405	9,419
Borrowings from the Government of Canada (in millions of dollars)	4,848	4,651	4,446	4,235	4,025	3,822
Net Income After Income Taxes (in millions of dollars)	12	1	(3)	(4)	(4)	(4)
CANADA HOUSING TRUST						
Canada Housing Trust Assets (in millions of dollars)	63,686	81,016	82,429	76,019	76,978	76,978
Canada Housing Trust Liabilities (in millions of dollars)	63,686	81,016	82,429	76,019	76,978	76,978

MANAGEMENT'S DISCUSSION AND ANALYSIS

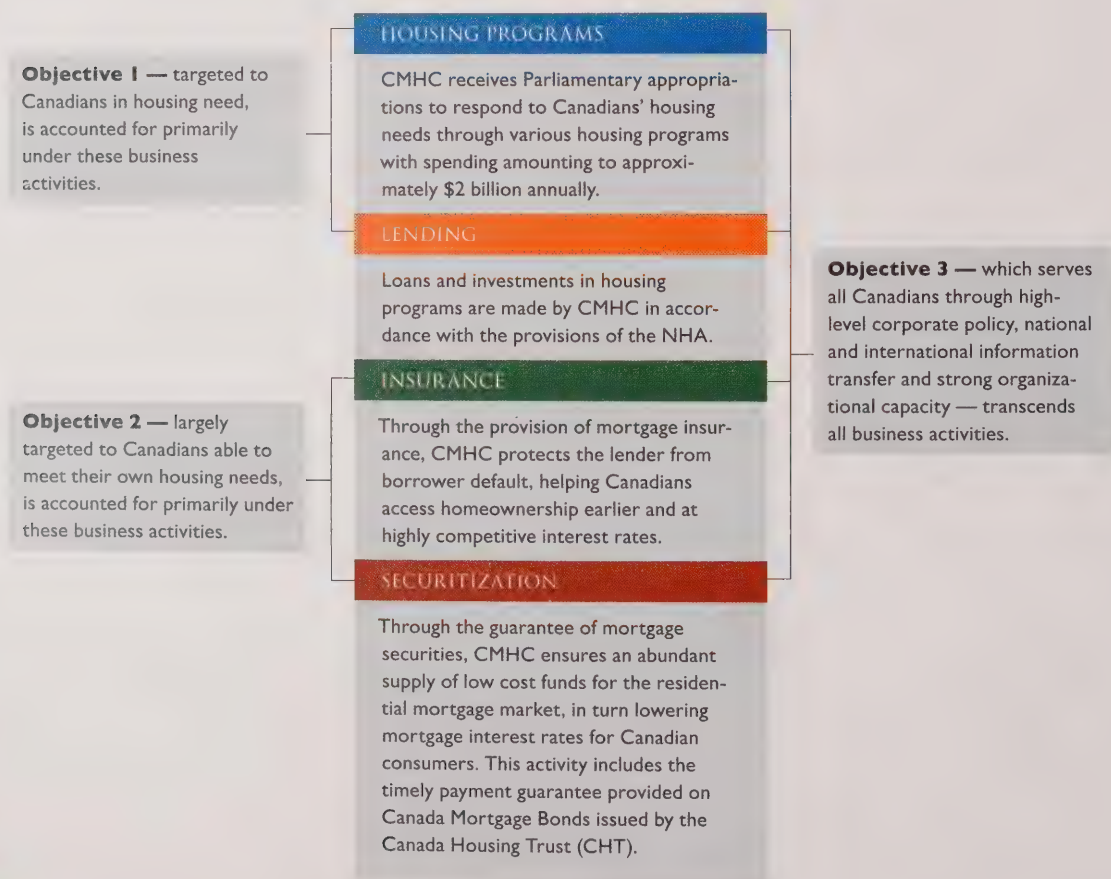
Financial Analysis of Operations

Risk Management

FINANCIAL ANALYSIS OF OPERATIONS

CMHC has four business activities that account for the full range of its business lines and support functions. These business activities capture all business transactions, investments, Parliamentary appropriations and spending.

The financial results comprise all of our varied activities, ranging from housing programs for those in need to insurance and securitization activities that facilitate access to more affordable housing through the Canadian housing finance system. While the Corporation's activities that help Canadians in need are operated on a break-even basis, other activities aimed at the efficiency of the housing finance markets are operated, as required by our mandate, on a more commercial basis. Accordingly, net income is predominantly a function of the Insurance and Securitization activities while revenues and expenses reflect the entire breadth of CMHC activities.



Significant Accounting Standards Implemented in 2005

Effective 1 January 2005, the Corporation adopted *Accounting Guideline 15: Consolidation of Variable Interest Entities* (AcG-15), issued by the Canadian Institute of Chartered Accountants, which requires the consolidation of certain variable interest entities that are subject to control on a basis other than through ownership of a majority of voting interest. This change in accounting policy has been applied retroactively and prior years' figures have been restated.

AcG-15 defines a variable interest entity as an entity that either does not have sufficient equity at risk to finance its activities without subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. Canada Housing Trust (CHT) is such a variable interest entity. AcG-15 requires the primary beneficiary to consolidate variable interest entities and considers an entity to be the primary beneficiary if it is exposed to the majority of the expected losses or will receive the majority of the expected residual returns, or both. CMHC is considered the primary beneficiary of Canada Housing Trust. Therefore, for accounting purposes, Canada Housing Trust is consolidated with the financial statements of CMHC.

The Trustee of Canada Housing Trust has entered into agreements with a number of parties, including CMHC, to provide various services to Canada Housing Trust. Under one such agreement, CMHC, as agent of Canada, has guaranteed the timely payment of the interest payments and the principal at maturity on all Canada Mortgage Bonds issued by Canada Housing Trust to date. Once provided, the guarantee becomes an obligation of the Government of Canada and is irrevocable until full repayment of the Canada Mortgage Bond at maturity (typically within five years of issuance). In addition, under a Financial Services Advisor Agreement, CMHC gauges market demand for bond issuance and assesses the potential supply of housing loans available to be packaged for sale to Canada Housing Trust.

Pursuant to the purchase agreements and other relevant program agreements, Canada Housing Trust purchases ownership interest in pools of *National Housing Act* Mortgage-Backed Securities (NHA MBS), which are pledged as security for Canada Mortgage Bonds issued by Canada Housing Trust to finance the purchases. The assets of Canada Housing Trust are neither owned by, nor held for the benefit of, CMHC. Consequently, the assets are not available to CMHC for its general corporate purposes or to satisfy any liabilities of CMHC. Details of Canada Housing Trust's interest in the NHA MBS and the Canada Mortgage Bonds issued to finance the purchases are disclosed in the notes to the financial statements.

The impact from the consolidation of Canada Housing Trust on the consolidated financial statements at 31 December 2005 is an increase of \$72,751 million (2004 — \$54,336 million) in consolidated assets and liabilities, as well as a \$2,617 million (2004 — \$1,906 million) increase in both revenues and expenses. As a result, there is no impact on consolidated net income or consolidated retained earnings.

The impact of the consolidation of Canada Housing Trust on the 2005 financial statements is outlined in the table below.

Results (in millions of dollars)	CMHC	CHT	Elimination entries	Consolidated FS
Revenues	4,717	2,675	(58)	7,334
Expenses	3,253	2,675	(58)	5,870
Income Taxes	462	—	—	462
Net Income	1,002	—	—	1,002
Assets	28,342	73,208	(457)	101,093
Liabilities	23,914	73,208	(457)	96,665
Retained Earnings	4,403	—	—	4,403

CORPORATE FINANCIAL RESULTS

(in millions of dollars)	2004 Actual*	2005 Plan	2005 Actual	Results Against Plan	2006 Plan
Revenues	6,560	7,067	7,334	104%	7,968
Expenses	5,161	5,857	5,870	100%	6,538
Income Taxes	449	393	462	118%	465
Net Income	950	817	1,002	123%	965
Retained Earnings	3,401	4,133	4,403	107%	5,284
Resource Management**					
Operating Expenses	305	368	303	82%	384
Staff Years	1,814	1,902	1,804	95%	1,917

* Historical results and future year plans have been restated to reflect the consolidation of Canada Housing Trust which took effect on 1 January 2005.

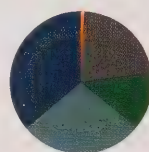
** Canada Housing Trust has no staff years and all operating expenses are reimbursed by the swap counterparties.

Net Income

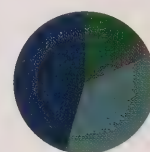
Net income exceeded the \$1.0 billion threshold for the first time in our 60 year history, led by Insurance's \$951 million of net income as this activity continues to reap the benefits of a commitment to operational excellence and favourable economic conditions. The higher than planned revenue came about due to lower long-term mortgage rates creating sustained demand in many housing markets across the country. The resultant increase in sales combined with rising house prices contributed significantly to the net income result.

In 2006, net income is expected to moderate slightly after the record breaking 2005 year, but will continue to benefit from strong housing markets.

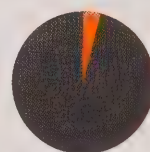
2005 Revenues



2005 Expenses



2005 Net Income



■ Canada Housing Trust

■ Securitization

■ Insurance

■ Lending Programs

■ Housing Programs

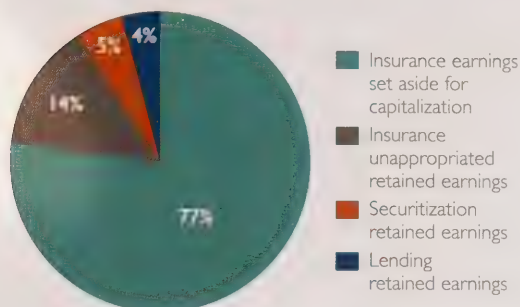
Retained Earnings

As a federal Crown corporation, CMHC's financial results are an integral part of the Government of Canada's financial results and budgetary projections. Both budgeted and actual federal annual surplus figures include CMHC's net income (planned and actual respectively) for the fiscal year in question.

CMHC's retained earnings are the result of an accumulation of past profits (net income) and losses, and therefore our retained earnings represent the federal government's investment in CMHC.

The use of CMHC's retained earnings is governed by the CMHC Act and the National Housing Act. In particular, Insurance and Securitization retained earnings may only be used for the capitalization of CMHC's Insurance and Securitization operations, for payment of a dividend to the Government of Canada, for purposes of the National

Financial Plan Assumptions	2004 Actual	2005 Plan	2005 Actual	2006 Plan
MLS® Average Resale Price (\$)	226,283	236,500	249,311	238,000
Mortgage Rate (%)				
1-year	4.59	5.09	5.06	6.47
5-year	6.23	6.77	5.99	7.81
Unemployment Rate (%)	7.2	7.2	7.2	7.2

Retained Earnings by Business Activities in 2005

Housing Act or the CMHC Act or any other purposes authorized by Parliament relating to housing, and for retention. To date, Insurance retained earnings have been used for capitalization and any excess used for retention (unappropriated retained earnings). Securitization retained earnings have also been used for retention.

Because of the fact that CMHC's annual net income is accounted for by the Government of Canada, use of Insurance or Securitization retained earnings for purposes other than capitalization, payment of a dividend or retention effectively represents a new expenditure by the Government of Canada. Lending retained earnings are subject to statutory limits which, when exceeded, trigger a dividend to the Government of Canada.

Effective 1 January 2005, the Board of Directors approved a 15% decrease to the target level of insurance capital in accordance with the guidelines set out by the Office of the Superintendent of Financial Institutions (OSFI). The decrease was supported by dynamic financial analysis techniques that ensured that minimum OSFI capital levels would only be breached in extreme adverse housing market conditions, in accordance with the guidelines set out by OSFI. This decrease brings the insurance capital target more in line with industry levels.

The CMHC target level of capital reflects the fact that CMHC insurance products and services are offered in less well served markets and/or in support of specific government priorities, where the insurance risk is often higher.

In 2005, CMHC achieved its targeted level of capitalization. This will ensure there is sufficient capital available to meet future risks and follows prudent business practices. While the current economic and housing conditions are very favourable to the mortgage insurance business, economic conditions are cyclical, and insurance providers need to recognize this in managing their business over the long term. In addition, the capital requirement must be viewed in the context of an insurance business with \$274 billion of policies in force.

CMHC expects to maintain 100% of its target level of capital for the foreseeable future due to the expected continued strong performance of the insurance business.

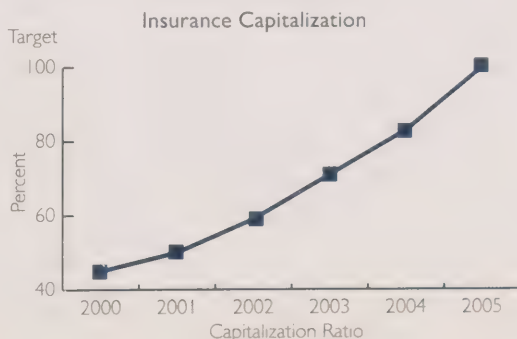
The strength in housing markets that helped expand Insurance retained earnings by a record amount in 2005 is expected to moderate in the future but still remain positive for the mortgage insurance activity. Under these conditions retained earnings could more than double over the next five years while capitalization requirements would increase by approximately one third. An economic downturn or the entry of new competitors or the use of Insurance and Securitization retained earnings pursuant to the *National Housing Act* would result in lower retained earnings going forward.

Resource Management

Efficiency and cost effectiveness are a long-standing focus at CMHC. With personnel costs comprising approximately 65% of operating expenses, staff-year consumption largely drives costs. In 2005, staff years increased by less than 1% despite record business volumes and the introduction of new products. Operating costs also grew modestly. Canada Housing Trust has no staff years and all operating expenses are reimbursed by the swap counterparties.

Income Taxes

CMHC is a taxable federal Crown corporation and as such pays federal income tax but is not subject to provincial income tax. In 2005, CMHC paid close to half a billion dollars in income taxes, a level comparable to 2004 and similar tax payments are anticipated for the foreseeable future. Canada Housing Trust is subject to federal and provincial income taxes on the amount of taxable income for the period and is permitted a deduction for all amounts paid or payable to Canada Housing Trust's beneficiary in determining their taxable income. As all income was distributed to the beneficiary, no provision for income taxes has been reflected in the consolidated financial statements.



FINANCIAL ANALYSIS BY CORPORATE OBJECTIVE

While all of our activities help us achieve each of our three broad corporate objectives, the Lending and Housing Programs activities are aimed primarily at "Helping Canadians in need" and the Insurance and Securitization activities are instrumental in "Facilitating access to more affordable, better quality housing for all Canadians." Accordingly, the discussion of financial results of each activity is discussed only once and as a whole under the primary objective served by the activity.

OBJECTIVE ONE — HELP CANADIANS IN NEED

CMHC aids Canadians in need through grants and contributions for housing and the provision of loans at below market rates. Approximately 21% of our resources are devoted to developing and delivering housing solutions for Canadians in need and preserving the existing stock of affordable housing.

Housing Programs

While the Canadian economy remains one of the strongest in the world, many Canadians remain in core housing need across the country including a disproportionate amount of Aboriginals, recent immigrants and seniors. CMHC continues to address the situation through a variety of programs, delivery mechanisms and partnerships. These include the existing social housing agreements with the provinces and territories, the Affordable Housing Initiative, on-reserve and non-profit housing agreements, as well as renovation and partnership programs.

Results Highlights (in millions of dollars)	2004 Actual	2005 Plan	2005 Actual	Results Against Plan	2006 Plan
Housing Program Expenses	2,006	2,103	1,973	94%	2,059
Operating Expenses	101	105	103	98%	108
Appropriations	2,107	2,208	2,076	94%	2,167

In total, the Corporation spends over \$2 billion annually responding to Canadians' housing needs through these various programs. Of the total spent, approximately \$1.7 billion is related to long-term commitments made in prior years with approximately \$1 billion of that amount being transferred to provinces/territories under Social Housing Agreements. The Corporation is reimbursed for these expenditures, including interest rate losses incurred by the Lending activity, through Parliamentary appropriations approved annually by the Government of Canada.

In addition, as announced in the 2005 Federal Budget, the Government has authorized the Corporation, in conjunction with Indian and Northern Affairs Canada, to make an investment of \$295 million over five years in First Nations housing on reserves. The funding is to be used to facilitate the construction of an estimated 6,400 new housing units, the creation of approximately 5,400 serviced lots and the renovation of an estimated 1,500 existing housing units.

Housing program expenses are lower than plan by 6% or \$130 million and comparable to 2004. Approximately half of the variance to plan is due to lower than planned interest costs due to lower than expected interest rates. The balance relates primarily to spending in the Affordable Housing Initiative and Renovation programs due to some delays in commitment activity and the shortage of available contractors (due to strong renovation markets) in some regions. CMHC's plan for 2006 provides for full utilization of the approximately \$2 billion of government appropriations.

Lending

CMHC makes loans and investments in housing projects in accordance with the provisions of the *National Housing Act*. Operated on a break-even basis, CMHC lending programs provide low-cost financing for social housing projects, thus maximizing the effectiveness of government housing subsidies. With the exception of interest losses arising from prepayment and mortgage rate renewal risks that exist in certain loans granted prior to 1993, the programs were designed to cover funding and administrative costs.

Results Highlights (in millions of dollars)	2004 Actual	2005 Plan	2005 Actual	Results Against Plan	2006 Plan
Interest and Investment Income	1,011	887	909	102%	856
Interest Expense	939	864	898	104%	835
Operating Expenses	19	22	18	82%	21
Net Income	43	12	9	75%	1
Reserves	134	133	143	108%	139

In 2005, both the number of new loans initiated and renewals of existing loans were significantly above target. The \$197 million in new business loans exceeded its target by 25% largely due to increased commitments on reserve. Subsequent renewals also exceeded target by 13% due to several unexpected loan renewals in 2005.

While direct lending loans were above planned levels, in general, these programs have been declining over the last several years, replaced by other, more flexible mechanisms to assist Canadians in need. Thus, there is a downward trend in both the loan portfolio and the debt issued to fund the loans, which currently stand at some \$13 billion (\$14 billion in 2004). The number of loans increased slightly while the average size is decreasing resulting in an overall decreasing portfolio. This means that the average costs per dollar of loan being administered is increasing. The loans were funded by borrowings from the Government of Canada up to the end of 1992. Since then, the Corporation has borrowed solely from the capital markets as an agent of Canada.

The main source of income for the Lending Activity is interest earned on its loans and investments while its biggest expense is its borrowing cost.

Net income derived from the Lending Activity is small relative to the Corporation's overall performance and can be significantly affected by the recovery of prepayment and repricing losses from the Government (nil in 2005 compared to \$9 million planned in 2005 and \$24 million in 2004) and fluctuations in income due to the application of hedge accounting standards as set out in Accounting Guideline 13 (AcG-13), (\$5 million in 2005 compared to \$1 million planned and \$16 million in 2004). The Corporation did not recover any prepayment losses in 2005 as it would have then exceeded its reserve fund limit. CMHC's derivative financial instruments mitigate market risks related to loans and borrowings, but many of them do not meet the criteria for hedge accounting specified in AcG-13. As a result, many derivatives are now adjusted to current fair value on the Balance Sheet, with gains and losses resulting from the changes in fair value recognized in income, causing income volatility from year to year.

CMHC is authorized to retain its annual net income from the Lending activity in a Reserve Fund which currently has a limit of \$175 million, \$50 million of which is designated for fluctuations resulting from the application of AcG-13. Amounts in the general reserve over the \$125 million must be returned to the Government of Canada. As of 31 December 2005, the Reserve Fund stands at \$143 million of which \$21 million results from the impact of AcG-13.

Corporate Performance Measures	2004 Results	2005 Target	2005 Results	2006 Target
Annual direct lending — new business (in millions of dollars)	158.2	158 to 170	197*	313 to 337
Annual direct lending — subsequent renewals (in millions of dollars)	1,161	1,628 to 1,750	1,843*	1,653 to 1,778

* Target met or exceeded

* Target substantially met

† Target not met

As shown, the Corporation exceeded both targets for direct lending in 2005 and was well above 2004 results. This was due to a more concerted effort by the Corporation to obtain new business while retaining the existing business. The 2006 plan for new business is nearly double the 2005 amount as a result of additional investments for on-reserve housing. The 2006 plan for renewals is based on the total loans up for renewal in 2006.

OBJECTIVE TWO — FACILITATE ACCESS TO MORE AFFORDABLE, BETTER QUALITY HOUSING FOR ALL CANADIANS

The Corporation helps Canadians access affordable mortgages through its commercial activities in the housing finance sector. Approximately 44% of our resources are dedicated to the execution of its market housing activities, primarily in Insurance.

Insurance

CMHC protects lenders from borrower default through the provision of mortgage insurance thus assisting the Canadian housing finance market to function effectively and providing an efficient and cost-effective means of facilitating market-based housing solutions. The vast majority of Canadians are, as a direct result, able to access affordable housing choices quicker and at lower interest rates than they would be able to without mortgage insurance within a highly stable, predictable and geographically invariant Canadian housing finance system.

Results Highlights (in millions of dollars)	2004 Actual	2005 Plan	2005 Actual	Results Against Plan	2006 Plan
Premium and Fees Revenue	1,095	1,110	1,175	106%	1,249
Investment Income	397	424	468	110%	465
Operating Expenses	136	160	137	86%	166
Net Claims Expense	51	202	119	59%	171
Net Income	875	775	951	123%	928
Earnings Set Aside for Capitalization	3,112	3,819	3,406	89%	3,648
Unappropriated Retained Earnings	—	—	657	n/a	1,274

The main sources of revenues are insurance premiums (collected once at inception of the mortgage and valid for as long as the mortgage is outstanding), application fees and investment income earned on the investment portfolio. CMHC is mandated to operate the insurance business on a commercial basis meaning that premiums and fees collected over time will cover related claims and other expenses and provide for a reasonable rate of return to the Government of Canada thus ensuring a fair playing field with private sector insurance providers. Accordingly, the mortgage insurance activity continues to be operated at no cost to Canadian taxpayers.

The economy has a significant influence on the performance of CMHC's insurance business. Economic conditions and more specifically housing market conditions over the past several years have been exceptional, which has meant increased opportunities for homeownership for Canadians. For CMHC, these economic factors along with the introduction of new products and CMHC's commitment to service excellence have resulted in successive years of escalating business volumes and corresponding premiums revenues as well as lower than expected net claim losses. This has also meant that CMHC has remained Canada's mortgage insurer of choice despite vigorous competition. In addition, CMHC has ensured that borrowers are charged a fair price as demonstrated by the 15% reduction in the premium for first time homebuyers, the second such premium reduction in two years.

Mortgage insurance approvals for 2005 reached an all-time high of 746,157 units, a 14% increase over the previous high of 652,573 units in 2004. Premiums received in 2005 were over \$1.4 billion compared to \$1.35 billion in 2004 despite the April 2005 premium reduction.

Since premiums are deferred and recognized over the life of the insured mortgage, some 93% of the 2005 premium revenue is attributable to premiums received prior to 2005.

Net claims expense is also affected by the economic conditions. It has two components. The first component is the actual loss on claims paid during the year. The other component is the change in the provision or estimate of claims that have already occurred but for which no claim has yet been filed with CMHC. This estimate is based upon historical experience, prevailing legal, economic, social and regulatory trends, and expectations as to future developments (primarily in the next 12 to 18 months). It is evaluated annually by an external actuary who reviews historical experience to determine if changes are required to assumptions regarding expected claim outcomes. In 2005, both of these components contributed to lower than planned net claims expense. Net claims expense, however, follows a cyclical trend. As recently as 2001, it was \$335 million representing 45 per cent of premium and fees revenue that year. This year, the expense was \$119 million representing 10 per cent of premium and fees revenue. While net claims expense declines in good economic times, it will undoubtedly rise again when a market downturn occurs. Since the last general economic downturn, CMHC's outstanding insurance in force has risen from about 20% of residential mortgage debt to more than 40% today.

Having benefited from strong economic conditions of the last several years, net income is expected to moderate slightly in 2006. In addition, the pending introduction of a new mortgage insurer will put pressure on the Corporation to be innovative and efficient in order to remain Canada's mortgage insurer of choice and meet its 2006 projections.

Securitization

Through the guarantee of mortgage backed securities, CMHC ensures an abundant supply of low cost funds for the residential mortgage market. This in turn means Canadians benefit from lower mortgage interest rates than they would otherwise enjoy in the absence of CMHC's presence within the secondary mortgage market. The results of Canada Housing Trust are also included in this activity.

Results Highlights (in millions of dollars)	2004 Actual	2005 Plan	2005 Actual	Results Against Plan	2006 Plan
Canada Housing Trust Revenue	1,970	2,432	2,675	110%	3,207
Fees Revenue	40	40	49	123%	47
Investment Income	12	11	16	146%	14
Canada Housing Trust Expense	1,970	2,432	2,675	110%	3,207
Operating Expenses	5	6	5	83%	6
Net Income	32	30	42	140%	36
Retained Earnings	155	182	197	108%	223

Canada Housing Trust's main source of revenue is income from the investments it holds and its main expense is interest on outstanding Canada Mortgage Bonds. The Trust is designed to have zero net income. The higher than expected Canada Mortgage Bonds volumes have resulted in higher than planned revenues and expenses.

The main source of revenues for CMHC's guarantee activity are guarantee fees, application fees and investment income earned on its investment portfolio. As CMHC is mandated to operate its securitization business on a commercial basis, guarantee fees collected over time are expected to cover related expenses and provide for a reasonable rate of return to the Government of Canada. Similar to the insurance business, securitization is operated at no cost to Canadian taxpayers.

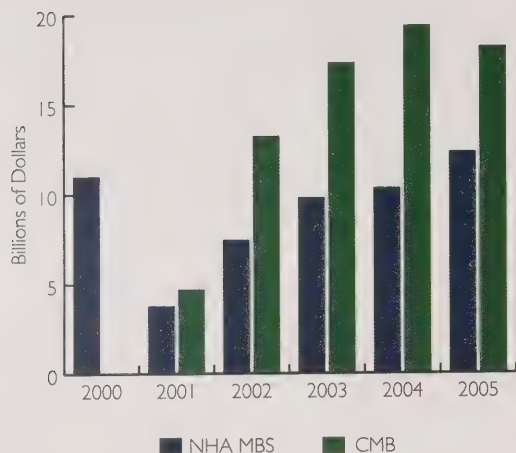
Securitization volumes have grown in recent years, particularly since the inception of the Canada Mortgage Bond Program in 2001. The 2005 revenues were positively impacted by growth in recent years benefiting, in part, from the introduction of a new product, variable rate Mortgage-Back Securities, in 2004. The guarantee fees are received at inception of the related security issue and recognized as income over the term of the security issue (typically five years). Approximately 90% of the 2005 guarantee fee revenue is attributable to fees received prior to 2005.

Corporate Performance Measures	2004 Results	2005 Target	2005 Results	2006 Target
Short-term profitability:	12.8%	<14.7%	11.7%*	13.4%
Operating expense ratio for mortgage insurance (%)				

* Target met or exceeded * Target substantially met † Target not met

The 2005 operating expense ratio was lower than planned due to additional revenues generated by greater than planned business volumes together with somewhat lower expenses. The lower expenses were due to the Corporation's ability to efficiently manage changing initiation and claims settlement business volumes. The 2005 operating expense ratio was lower than the 2004 ratio due to the additional revenues.

Annual Securites Guaranteed



As a result of the application of ACG-15, the CMB guarantees also appear as a liability on the Consolidated Balance Sheet.

In 2005, net income was \$42 million, 40% higher than plan and 31% higher than 2004. The increase in net income versus plan and 2004 actual is mainly driven by higher issuance activity resulting in higher guarantee fees earned. In 2006, the Corporation expects to guarantee \$14 billion of Canada Mortgage Bond issuances, \$4 billion lower than the 2005 level. However, it is possible that the plan figure will be exceeded should there be continued strength in the Canadian mortgage markets. As a result of this projected decrease, net income is expected to be slightly lower in 2006.

Actual performance in 2005 is substantially better than 2005 plan and 2004 actual due mainly to the significant overachievement of revenues.

Corporate Performance Measures	2004 Results	2005 Target	2005 Results	2006 Target
Short-term profitability: Operating expense ratio for securitization (%) [†]	12.5%	<13.8%	8.6%*	11.7%

* Target met or exceeded * Target substantially met † Target not met

[†] Ratio of operating expenses over revenues excluding investment income, exclusive of Canada Housing Trust expenses and revenues.

OBJECTIVE THREE — ENSURE THE CANADIAN HOUSING SYSTEM REMAINS ONE OF THE BEST IN THE WORLD

CMHC continues to plan for the future by providing and disseminating research to support the continued evolution of Canada's housing markets and housing finance system, and to share its expertise with countries who wish to enhance their own housing systems. Approximately 35% of its resources are directed to this area of activity, with the vast majority of this directed to the domestic front. CMHC also prepares the way forward by ensuring a strong and solid corporation.

CMHC continued its commitment to research through the expenditure of \$49 million on research and information dissemination in 2005. CMHC also continued to sell its expertise abroad, resulting in revenues of \$1.3 million.

Future Accounting and Reporting Changes

The Corporation expects to adopt the following accounting standards in the future.

Financial Instruments, Hedges and Comprehensive Income

The Canadian Institute of Chartered Accountants has issued three new accounting standards — *Financial Instruments — Recognition and Measurement*, *Hedges* and *Comprehensive Income*. The Corporation will be implementing these standards on 1 January 2007. The principal impacts of the standards are detailed below.

- Other comprehensive income will be a new component of the equity of Canada and a new statement entitled Statement of Comprehensive Income will be added to the Corporation's Consolidated Financial Statements.
- Financial assets will be required to be classified as available for sale, held to maturity, held for trading, or as loans and receivables.
- For fair value hedges, where the Corporation is hedging changes in the fair value of assets, liabilities or firm commitments, the change in the value of derivatives and hedged items will be recorded in the Consolidated Statement of Income.
- For cash flow hedges where the Corporation is hedging the variability in cash flows related to variable rate assets, liabilities or forecasted transactions, the effective portion of the changes in the fair values of the derivative instruments will be recorded through other comprehensive income until the hedged items are recognized in the Consolidated Statement of Income.

RISK MANAGEMENT

CMHC is dedicated to achieving our public policy mandate and objectives, and applying rigorous commercial and regulatory risk management principles and best practices to identify, monitor, control and manage risks. Our commitment to enterprise risk management underlies our approach to effective senior management and Board governance. Enterprise risk management enables the Board and senior management to comprehensively assess and act on corporate risks and opportunities within CMHC's strategic planning efforts. It is a tool to facilitate alignment of priority objectives and resources to address stakeholder perspectives.

In 2005, CMHC acted to strengthen core elements of this process, focusing resources on the key criteria underlying effective enterprise risk management, as established by leading financial and regulatory institutions, as well as international rating agencies. This has included specific focus on enhancing governance and enterprise risk management processes in relation to strategic planning, and developing additional risk and performance measurement, control and reporting.

GOVERNANCE AND RISK MANAGEMENT OVERVIEW

The responsibility for risk management is shared between the Board of Directors, senior management, and operational units. The Board oversees CMHC's risks at the governing level, approving risk policies and ensuring that required processes and systems are in place to effectively manage risk. CMHC's senior management monitors risks and reports to the Board on CMHC's overall risk profile, recommends financial and non-financial risk policies and oversees CMHC's financial positions, risk exposures, financial strategies and performance. At the operating level, specialized risk functions exist to address legal, security, insurance and other specific financial and non-financial risks.

This structure is used in setting priorities, allocating resources and making effective decisions regarding risk management. CMHC's governance structure ensures that risks of significance are elevated from the operating activities and oversight functions to the senior management committees and the Board.

The consolidation of the Canada Housing Trust does not change how the Corporation manages the guarantee of mortgage-related securities, including Canada Mortgage Bonds.

2005 ACHIEVEMENTS

- Integration of enterprise risk management more directly with corporate planning, resource allocation and reporting processes.
- Establishment of a Chief Compliance Officer with a focus on treasury and investments-related activities.
- Continued focus on capital management through development of a credit exposure framework linking risk tolerances more closely with the capitalization and business requirements of its respective business activities.
- Enhanced performance metrics and planning efforts to more effectively incorporate capital and value management considerations.
- Industry leadership to implement fraud management strategies in mortgage lending.
- Business continuity planning updated to ensure appropriateness for unplanned contingencies.
- Concrete actions to protect sensitive information and data exchange.

CMHC's enterprise risk management process is a dynamic approach aimed at facilitating the identification of key risks that could have an impact on the development and achievement of corporate objectives and strategies. Given the mandate of CMHC and the commercial tools and strategies utilized to help fulfill that mandate, CMHC is exposed to a number of different risks across its businesses, classified into 13 enterprise risks, which are organized within three broad categories: strategic, infrastructure and specific (including financial) risks.

GOVERNING

Board of Directors — Risk oversight and policy approval

Audit Committee — Monitors financial activities and provides advice to the Board and approves the corporate risk landscape

MANAGING

Management Committee — Monitors risks and updates risk policies

Asset-Liability Committee — Recommends financial and non-financial risk policies and oversees asset/liability management

Investment Committee — Provides technical expertise and supports CMHC's investment strategies

Chief Compliance Officer — Proactively ensures that effective controls are in place, and that compliance issues are identified and reported

OPERATING

Specific activities are carried out by the:

- Enterprise Risk Management Office
- Risk Management Division
- Insurance (Risk Analysis)
- Actuarial Analysis Division of Finance
- Legal Division
- Audit and Evaluation Services
- Security Office

STRATEGIC RISKS

The identification and monitoring of strategic risks are important for moving CMHC forward and can significantly impact the achievement of corporate objectives.

Who Manages Strategic Risks

The Board of Directors has the ultimate responsibility for strategic direction and risk tolerance of CMHC. The senior management team, through the Management Committee, manages CMHC's strategic risks. The Management Committee is comprised of the President, Vice Presidents, General Managers and Executive Directors, representing the major business units and oversight functions. Each strategic risk has assigned responsibility to one, and in some cases, multiple members of the senior management team. Managers of business units and functional areas have a role to manage strategies within their area and must work with senior management to ensure strategies are aligned with the high level corporate objectives.

How We Manage Strategic Risks

Strategic risks are considered by senior management and the Board of Directors when evaluating and establishing overall corporate direction and strategy. CMHC's overall strategy is formulated by the President and senior management, in consultation with and subject to approval by the Board of Directors and the Minister responsible for CMHC. On an annual basis, the Board holds a strategic planning meeting to analyze and address strategic issues facing CMHC, and to renew and update the corporate objectives and priorities. The Board receives quarterly reports on plans and initiatives, and semi-annual risk landscape reviews containing an overview of future strategic risks and opportunities.

STRATEGIC RISKS

■ Mandate

Delivering the mandate and influencing changes to the mandate.

■ Business Environment

Understanding and managing business environment impact.

■ Relational

Managing key relationships, improving client service.

■ Organizational

Aligning corporate efforts to achieve objectives responsibly.

Key Strategic Risks

The corporate objectives provide direction for CMHC's strategic initiatives and activities. Identifying, monitoring and managing strategic risks in terms of CMHC's corporate objectives is therefore important. As CMHC's management of strategic risks is fully integrated in our strategic planning and priority setting process, the discussion of these risks is offered in greater detail in the Performance section of this report beginning on page 20, with a brief overview of key issues presented below.

Overview of key strategic risks

Developments in the Canadian mortgage insurance industry, including increasing competitive pressures, mean that CMHC must continue to develop appropriate strategies and products in order to maintain its market leader position and remain the insurer of choice. Efforts in this regard will be impacted by potential changes to the *Bank Act* review as well as implications of Basel II to mortgage portfolios of regulated financial institutions. In addition, the Department of Finance's review of a centralized borrowing model may impact future funding and hedging activities.

Organizational changes that occurred in 2005 will provide more specialized focus in delivering on corporate objectives. Some of these changes have included an improved focus on Aboriginal housing, merging of funding and securitization activities, investment staff consolidation, and a better focus on key business accounts. In 2006, changes will be implemented to realign resource allocation and planning processes to adjust more nimbly to changing business conditions and events.

INFRASTRUCTURE RISKS

Infrastructure risks relate to the risk of loss of corporate knowledge (people risk), loss resulting from deficiencies in internal business processes and controls (process risk), or disruption in information systems or processing facilities (technology risk). These are the risks that primarily impact internal operating activities and the resources necessary to keep the organization functioning and delivering on objectives. They are important elements in achieving an effective and efficient organization, particularly in this period of change in our operating environment.

Who Manages Infrastructure Risks

Management Committee, with specialized committees such as the Human Resources Council and operational units such as IT Strategy and Security groups, manages CMHC's infrastructure risks. Audit and Evaluation Services also support the management of infrastructure

INFRASTRUCTURE RISKS

■ People

Ability to have the right people in the right place at the right time.

■ Process

Managing current processes and adapting processes to support business needs.

■ Technology

Providing reliable technology and information systems to support business needs.

risks through its role of independently reviewing functions and related processes. Directors and Managers of all functional areas play a role in managing people, their business processes and related technology to carry out their responsibilities. As with strategic risks, each infrastructure risk has assigned responsibility to members of the senior management team.

How We Manage Infrastructure Risks

Effective management of CMHC's human capital is managed through corporate initiatives such as talent and succession management, learning and development, and techniques to ensure a representative workplace. Compensation is reviewed regularly against the marketplace to ensure it remains competitive. In addition, ethics principles and awareness are integrated into the organizational culture. Analysis of demographic trends, training programs for managers and employee orientation are additional examples of efforts CMHC puts forth to ensure effective management of key resources.

Effective internal processes must be in place and continually reviewed to ensure sound and timely decision making. As technology and the business environment continuously evolve CMHC remains committed to ongoing business process efficiency reviews and to the implementation of process improvement where needed. Periodic audits are conducted by Audit and Evaluation Services Division. Results from the "efficiency of operations review for multiples insurance" will be implemented in 2006–07. CMHC is also subject to a Special Examination every five years, as required by the *Financial Administration Act*. The last such Examination, which was completed by the joint examiners in 2004, indicated that no significant deficiencies were found in the systems and practices examined.

CMHC is faced with the ongoing challenge of maintaining and supporting key business systems such as those related to automated underwriting, securitization, treasury and risk management. Redundant sites and processes are continually updated to ensure that mission critical systems are available under virtually all circumstances. Strategic direction is provided through a specialized strategy and security group who identify strategic projects to improve overall business performance by leveraging current technologies. Management Committee sets the priorities for information technology initiatives and Audit and Evaluation Services Division conducts periodic audits.

Key Infrastructure Risks

The loss of corporate knowledge is a key risk for CMHC as it faces increasing retirements over the next few years. Consequently, CMHC will be focusing its attention on the last stages of a succession management strategy designed to identify potential successors for key positions and to provide them with the skills development, training and mentoring necessary to ensure an effective transfer of knowledge.

The risks, and the challenges of ensuring business processes are operating effectively to support sound and timely decision making are important for CMHC as it continuously strives to improve its internal processes. In 2005, a requisitioning, purchasing and procurement system was successfully piloted to support fairness, transparency, competition and best value in the procurement of goods and services. The system is now close to being rolled out. CMHC is also ready to roll-out a document management system that will classify and retain electronic records, thereby helping to mitigate the loss of corporate data or records.

The potential impact from a loss of service of systems that support mission critical functions is significant. Considerable work was completed in 2005 to implement redundant facilities to mitigate the risk and ensure that essential business processes continue to operate in an uninterrupted manner. An alternate mainframe will be moved to outside central Canada in 2006 to further ensure business continuity for CMHC's key systems and activities. This would mitigate the risk of a power failure across an entire power grid. CMHC's Information Technology Division has also established a strategy group to identify projects designed to improve overall business performance by taking advantage of current technology.

KEY FINANCIAL RISKS

Who Manages Financial Risks

CMHC's Asset/Liability Committee (ALCO) provides specialized expertise in relation to the management of investment credit risks, market risks and other financial risks for each of its lending, insurance and securitization activities. The Board of Directors is responsible for approving corporate risk policies, ensuring that the main risks of CMHC's activities have been identified and that appropriate systems to manage the risks are implemented. Other divisions, functions and committees involved in managing key financial risks include Finance, Risk Management Division, Actuarial Analysis Division, Insurance (Risk Analysis), Investments, Securitization and Treasury, Portfolio and Agreement Administration Division (loan portfolio), Chief Compliance Officer, Multiple Underwriting Committee, and the Investment Committee.

How We Manage Financial Risks

CMHC is exposed to credit, market and other financial risks from various sources, including directly from its investment, lending and hedging activities, and indirectly from potential claims arising from insurance and securitization activities. CMHC evaluates and manages its financial risks to ensure appropriate diversification, asset-liability matching, and optimization of returns, subject to risk tolerances approved by management and the Board.

The consolidation of the financial statements of Canada Housing Trust and CMHC does not alter the financial risks facing CMHC in relation to the Canada Mortgage Bond Program. Due to the significant differences in the financial risks of CMHC and Canada Housing Trust, they are discussed separately in this report.

FINANCIAL RISKS

■ Credit

Risk of loss associated with a counterparty or borrower failing to meet its obligations.

■ Market

Risk associated with fluctuations in market conditions including interest and currency rates.

■ Other Financial

Risk associated with operations, liquidity and achieving returns.

Credit Risk

Credit risk is the risk of loss arising from a counterparty's failure to fulfill its contractual obligations. Credit risk includes default risk, settlement risk, and downgrade risk and encompasses both the probability of loss, and the probable size of the loss, net of recoveries and collateral over appropriate time horizons. CMHC is directly exposed to credit risk from various sources including through its loans, investments and financial derivative instruments, and indirectly from potential claims arising from insurance and securitization activities.

Senior management regularly receives exposure information on a consolidated corporate-wide basis for its largest exposures in order to monitor potential concentrations to individual or affiliated groups of entities.

Corporate Investment & Hedging Exposures

Credit exposures associated with investment and hedging transactions are limited within each of the lending, insurance, and securitization activities.

As of 31 December 2005, the estimated market value of investment and hedging exposures, including amounts associated with repurchase and reverse repurchase activity, totalled \$14.6 billion, an increase of \$2.7 billion from the year earlier (\$11.9 billion in 2004). The accompanying charts provide the distribution and trends of these exposures over the last three years and reflect the consistent quality and diversification of CMHC on the basis of credit quality, industry sectors, and terms to maturity.

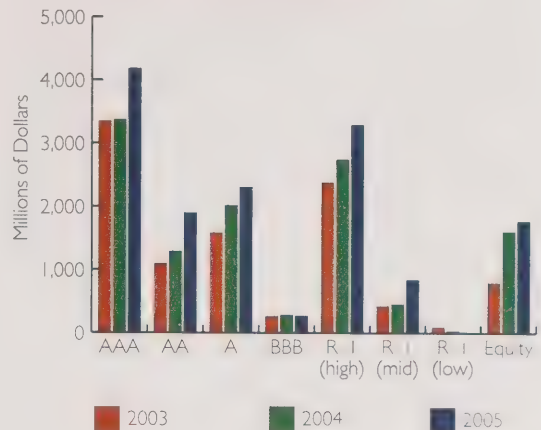
Insurance Activities

Liabilities

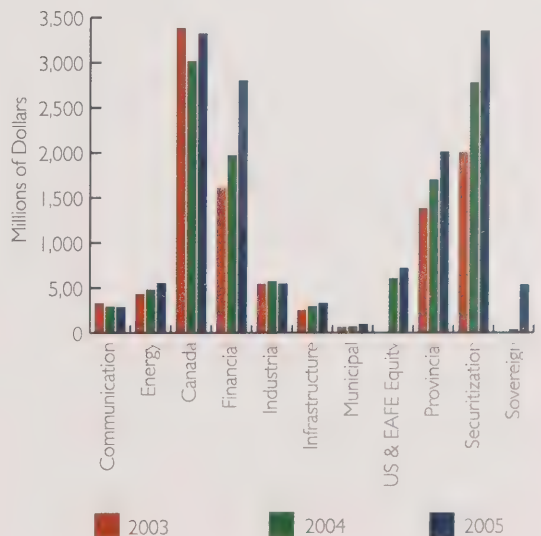
The major risk of financial loss to the insurance activity is the amount of future claims associated with insured mortgages relative to insurance premiums received. The overall performance of the economy is the main determinant of future claims patterns. Changes in house price levels and mortgage interest and unemployment rates, nationally and regionally, are key economic variables affecting the incidence of claims, as they are highly correlated to borrowers' ability to continue servicing their mortgage loans.

As part of the annual corporate planning process, CMHC analyses the sensitivity of insurance activity results using dynamic financial analysis techniques. This allows CMHC to evaluate performance under various economic scenarios such as recessions or periods of high unemployment or interest rates as well as under different business conditions such as a reduction in market share or worse than expected product performance.

Fair Value Investment and Hedging Exposure
by Credit Rating



Fair Value Investment and Hedging Exposure
by Sector



CREDIT RISK FROM INVESTMENT

Credit risk is actively managed by the Corporation. As a Crown corporation, CMHC is subject to guidelines established by the Department of Finance for its investment and derivative positions. In addition, CMHC's funding, investment and risk management policies are approved annually by its Board of Directors to outline principles and limits to safeguard the Corporation's liquidity, financial strength and capital.

In relation to credit risk, CMHC's policies require that internal evaluations, exposure limits, and credit ratings be approved for each issuer and counterparty prior to transacting. Within each portfolio, limits are also established on the basis of industry sectors and credit ratings to ensure appropriate diversification. The Risk Management Division monitors investment and hedging exposures on a daily basis to ensure policy compliance as well as evaluate the ongoing appropriateness of internal ratings and limits.

The asset allocation mix for the insurance and securitization investment portfolios, as outlined in the table below, is a key factor which contributes to the high asset quality of the Corporation. Reflective of this, approximately 50.2% of the total assets supporting the insurance and securitization activities at year-end were invested in obligations issued or guaranteed by the Government of Canada or Canadian provinces.

Insurance and Securitization Investment
Portfolio Asset Mix (%)

	Strategic Allocation	Insurance	Securitization
Fixed Income	78.0	77.9	78.0
Money Market	5.0	4.2	4.3
Canadian Equity	10.0	10.9	10.7
EAFE Equity	3.5	3.5	3.5
US Equity	3.5	3.5	3.5
Total	100.0	100.0	100.0

As in previous years, the conclusion of this year's sensitivity analysis is that the insurance activity remains sound over the corporate planning horizon as well as under possible adverse economic and business conditions:

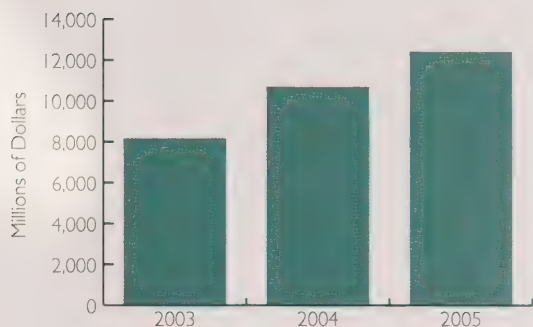
- it is highly unlikely that the insurance activity would need to seek government assistance, as there is a positive investment base;
- the risks for CMHC's insurance activity of additional entrants into the mortgage insurance business in Canada include lower cash flow, in proportion to the amount of business lost to the competitor; and a lower return on capital should the competitor target higher margin markets.

CMHC actively manages homeowner related insurance risk with its state of the art automated underwriting system, **emili**. Incorporated within **emili** are borrower, market, and property risk assessment models. Together, these automated models provide CMHC's underwriters with the tools to effectively identify higher-risk mortgage loan applications. The underwriters can then take further steps to determine if risk-mitigating actions would effectively reduce the overall risk to a level that is acceptable. The most effective risk mitigating actions are continually researched and updated for underwriters. CMHC continually monitors and, if necessary, adjusts its risk assessment models based on actual claims experience.

CMHC also manages its insurance risk through diversification. Because CMHC is active across Canada, the insured portfolio is geographically distributed as is the portfolio's mortgage default risk. Difficult economic times, which are the major factor in higher credit losses, have historically demonstrated that they are also geographically distributed. As well, CMHC manages its insurance risk through lender-based assessments within its Quality Assurance framework. Through this framework, CMHC works with lenders to maintain quality standards in the underwriting and servicing of their mortgage portfolios.

Assets

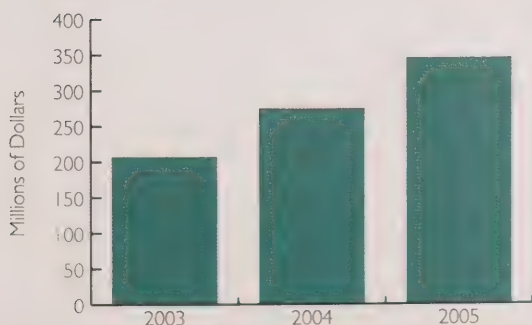
CMHC uses its insurance investment portfolio (generated from premiums received) to cover requirements associated with its provision of insurance to lenders against borrower default on residential mortgages. The objective of the portfolio is to maximize investment returns, while maintaining liquidity sufficient to meet projected business requirements and safeguarding the value of the investment portfolio, subject to appropriate levels of financial risk. According to sensitivity analysis undertaken in 2005, it is currently considered unlikely that investments would have to be liquidated prematurely to meet future adverse economic outcomes associated with the Insurance liabilities.

Fair Value Insurance Investment Exposure

In 2005, the insurance investment portfolio grew by \$1.7 billion, from \$8.0 billion to \$9.7 billion, due primarily to positive net cash inflows and growth from overall market movements. Credit exposures in the above chart include investments in highly-rated short-term instruments associated with the Insurance Activity's repurchase and reverse repurchase activity. This represented \$2.7 billion as of 31 December 2005, up from \$2.4 billion the previous year.

Securitization Activities*Liabilities*

Through its securitization programs, *National Housing Act Mortgage-Backed Securities* (NHA MBS) and *Canada Mortgage Bonds*, CMHC guarantees timely payment of principal and interest to investors. Total principal obligations to investors guaranteed as of 31 December 2005 were \$103.7 billion, which includes \$72.5 billion guaranteed under the *Canada Mortgage Bond Program*. Issuances of NHA MBS are done by individual financial entities, while *Canada Mortgage Bonds* are issued by the *Canada Housing Trust*.

Fair Value Securitization Investment Exposure

The major risk of financial loss associated with this activity is the cost of funding guaranteed payments in an event of default, relative to the guarantee fees received. All securitized mortgages have full mortgage default insurance coverage. For NHA MBS, the risk associated with issuer default is mitigated by both quality assessment and monitoring of the issuers and by a minimum spread requirement between the security coupon and the lowest mortgage rate in the pool. In the event of issuer default, the minimum spread is made available to a third-party issuer for the continued servicing of both underlying mortgages and the NHA MBS payments. For *Canada Mortgage Bonds*, in addition to the NHA MBS mitigations above, the risk associated with swap counterparty default is mitigated through program requirements for collateralization and interest retention accounts in the event of counterparty credit ratings below specific ratings thresholds and the requirement that all principal run-off investments be rated R-1 (High) or AAA within *Canada Housing Trust*.

Assets

CMHC's investment portfolios which support its securitization activity are comprised of investments related to both the *Mortgage-Backed Securities Program* and the *Canada Mortgage Bond Program*. The securitization investment portfolio has the same objective as the insurance investment portfolio.

In 2005, the securitization investment portfolio grew by \$71 million, from \$276 million to \$347 million, due to similar factors which influenced the insurance investment portfolio.

Canada Housing Trust

Canada Housing Trust operates within narrowly defined parameters set by CMHC, as guarantor, at the inception of the *Canada Mortgage Bond Program* and approved by the Minister of Finance. *Canada Housing Trust* invests the proceeds of *Canada Mortgage Bond* issuances in NHA MBS and reinvests all prepayments and amortization of principal in eligible investments. The *Canada Housing Trust* investments are managed by swap counterparties, approved by CMHC, as guarantor, pursuant to contractual agreements and CMHC cannot access any of the investments except in the event of a default by a swap counterparty. Accordingly, while CMHC does not directly manage financial risks for *Canada Housing Trust* investments, it does mitigate financial risks through the overall *Canada Mortgage Bond Program* design.

Trust permitted investments are relatively risk-free investments, including NHA MBS, limited amounts of R-I (high) asset-backed commercial paper and obligations issued/backed by the Government of Canada.

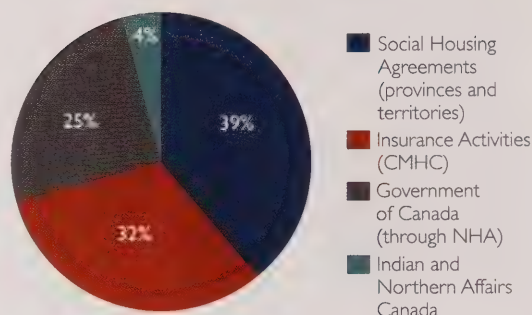
To enable CMHC to properly assess its risks as guarantor under the Canada Mortgage Bond Program, CMHC requires regular and detailed reporting from the Trust Administrator for Canada Housing Trust on the activities related to each Canada Mortgage Bond issue. The Trust Administrator's reports serve to demonstrate that they are prudently managing and monitoring the risks of Canada Housing Trust's activities by detailing all of the assets and liabilities of the Trust and providing semi-monthly mark-to-market valuations on all swap counterparties. As well, the Trustee provides CMHC with annual audited financial statements for Canada Housing Trust. In turn, CMHC relies on this information to monitor its risk exposure under the guarantee.

Lending Activity

Loans

Credit exposure, as reflected by the estimated fair value of loans arising from CMHC's lending activities, totaled \$15.4 billion on an outstanding loan portfolio (book value including accrued interest) of \$13.4 billion. As CMHC's mandate requires that it lend to a large number of non-profit entities, it is often not possible to attribute specific credit ratings established by independent credit agencies. This risk is offset by the fact that losses relating to defaults on these loans are largely recoverable from various levels of government. Approximately 25% of CMHC's loan portfolio is covered through the recovery of losses from the federal government to the extent that such recoveries are within CMHC's parliamentary appropriations. Approximately 32% of the portfolio is covered by CMHC's mortgage insurance activity. Reserves have been provided for claims that may result from these loans. Approximately 39% relates to loans covered under various social housing agreements negotiated with the provinces/territories. Under these agreements, the provinces/territories have taken on the default risk associated with all loans covered in the agreements. Finally, approximately 4% of the portfolio is covered by Indian and Northern Affairs Canada through Ministerial Loan Guarantees.

**Lending Activity
Default Recovery Mitigation**

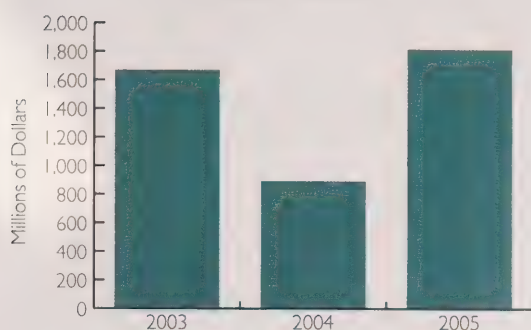


The CMHC loan portfolio has a process framework in place for default management. When a loan goes into default, a feasibility analysis is performed to determine the value of the property and collateral, and workouts are carried out on a case-by-case basis. Every effort is made for early detection, regular reporting of projects in difficulty, application of solutions to cure default and an ongoing monitoring/reporting/approval process is followed. In very rare cases where there is sufficient and compelling evidence that all possible options to cure the default have been exhausted and no viable solutions are available, CMHC will remove its support/subsidies.

Investments & Hedging

The investment assets related to the lending activity portfolio are distinct from those of the insurance and securitization activities. Investments relate to the reinvestment of mortgage principal received in advance of liabilities maturing as corporate cash management requirements. Lending activity investments are subject to more restrictive policies and guidelines in relation to acceptable levels of credit risk than the insurance and securitization activities due to the nature of this activity.

Fair Value Lending Activity Investment and Hedging Exposure



As of 31 December 2005, cash management and principal run-off investments totaled \$1,196 million, compared to \$670 million a year earlier. Credit exposures within the lending activity as of this date also included \$331 million of investments in highly-rated short-term instruments associated with repurchase and reverse repurchase activity, up from \$168 million the previous year-end.

CMHC uses interest rate and cross currency swaps to hedge market risks related to its direct lending portfolio. Counterparty credit risks related to this activity are mitigated through strict credit rating criteria and through the collection of collateral when CMHC is exposed to amounts which exceed agreed-upon ratings-based thresholds. As of 31 December 2005, the net positive mark-to-market value of swap exposures was \$20.8 million.

Ratings-Based Exposure Thresholds

Credit Rating (S&P equivalent)	Exposure Threshold (in millions of dollars)
AAA	250
AA+	200
AA	150
AA-	100
A+	75
A	35
A-	15

Market Risk

Market risk is the risk of adverse financial consequences caused by fluctuations in market conditions. It includes the potential adverse impacts on CMHC's earnings and economic value due to adverse changes in such factors as interest rates, foreign exchange rates and equity prices.

The level of market risk to which CMHC is exposed fluctuates according to market dynamics as well as changes to asset and liability mixes in its portfolios. Potential adverse impacts on CMHC's earnings and economic value can arise due to adverse changes in such factors as interest rates, foreign exchange rates, residential property values, and equity prices. CMHC has policies and limits in place to monitor and limit exposure to market risks arising from its business transacting, and asset and liability management activities. These are reviewed and revised as appropriate on an annual basis. Performance against these policies and limits is reported to the Board on a quarterly basis.

CMHC limits its risk of loss from adverse movements in interest rates and foreign exchange rates through hedging, asset and liability matching, and capital market strategies.

Insurance and Securitization

CMHC's insurance activity is exposed to market risk through its Insurance investment portfolios, as well as from the impacts of interest rate and/or residential property value fluctuations which may influence the frequency and severity of claims against its insurance in force.

CMHC's insurance and securitization investment portfolios are managed by limiting price sensitivity to interest rate changes relative to benchmark indices and by appropriate asset diversification.

It should be noted that as part of CMHC's diversification strategy, the Europe, Australasia and Far East (EAFE) Equity and US equity portfolios are not hedged against currency movements.

The majority of CMHC's Insurance and Securitization investment assets are held within the fixed income portfolios. As duration management is an important part of interest rate risk mitigation in fixed income portfolios, the durations of the fixed income investment portfolios are managed within ranges relative to the duration of the Scotia Capital Universe Bond Index (SCUBI) benchmark. As at 31 December 2005, the Insurance and Securitization fixed income portfolios had durations that were marginally longer than the benchmark.

Interest rate simulations are also used as another measure of interest rate sensitivity on the Insurance Fixed Income investment portfolio versus the benchmark index. This aids in determining how much risk is taken when the portfolio characteristics (e.g., duration weighting along the rate curve or convexity) differ slightly from the index. As at the end of December 2005 the portfolio was very similar to the index in terms of interest rate sensitivity. In comparing the portfolio versus the index we see that the portfolio was structured to potentially gain 10 basis points or lose 10 basis points in the tail results over a one quarter horizon (see table below).

Fixed Income Simulation Results at the 5% Tails	Best 5% Tail (%)	Worst 5% Tail (%)
Insurance Portfolio	2.56	-3.86
Benchmark Index (SCUBI)	2.50	-3.78
Portfolio versus Index	0.10	-0.10

CMHC also conducts a 50 basis point parallel interest rate shock test to the fixed income portfolios and compares that to changes in the market values of the benchmark index. Results presented in the table below also confirm that at year end, the portfolios maintained an interest rate risk profile similar to the index.

The annualized volatility of the portfolio returns, based on rolling monthly data for the past three years ended 31 December, was 3.55% and 3.54% for the insurance and securitization fixed income portfolios. During the same period, the benchmark index recorded a volatility of 3.56%. The insurance and securitization volatilities are consistently close to that of the index, implying the insurance and securitization fixed income investment portfolios have taken on a similar risk profile as that of the benchmark index. Volatility has increased slightly over 2005 reflecting the experience of Canadian fixed income markets in general.

Lending Activity

CMHC's objective with this activity is to protect the fair value of its positions and to reduce the volatility of net interest margin over time. Valuations of all Lending Activity portfolio assets and liability positions, as well as off balance-sheet exposures, are performed at least quarterly.

CMHC is exposed to interest rate risk when asset and liability principal and interest cash flows have different interest payments or maturity dates. CMHC's exposure to interest rate risk depends on the size and direction of interest rate changes, and on the size and maturity of mismatched positions. Market risk is mitigated through the matching of assets and liabilities as well as by hedging foreign exchange rates through the use of cross-currency swaps.

CMHC's market risk is also impacted by new business volumes, loan renewals and exercise of embedded optionality such as prepayment. Exposure to prepayment and repricing risk is managed using various funding and business strategies, and covered through retaining a reserve fund to cover potential losses arising from such risks. The joint examiners reviewed CMHC's management practices related to prepayment risk during the 2004 Special Examination and found no significant deficiencies.

CMHC's interest rate sensitivity tolerance as defined in policy states that interest rate risk (defined as the maximum exposure of the interest margin to interest rate movements with 95% confidence), shall be no more than \$1.5 million over a 12 month horizon. For the lending activity portfolio, the exposure was measured as \$0.4 million as at 31 December 2005 (up from \$0.3 million at the end of 2004), which is within the market risk policy limit.

The portfolio is further subjected to 200 basis points parallel shocks to both interest margin as well as to economic value to ensure that interest rate risk does not exceed the tolerance.

Fixed Income Investment Portfolios	Duration (Years)	Duration Versus Index (Years)	Change in Portfolio Market Value with +0.50% Shock (in %)	Change in Portfolio Market Value with +0.50% Shock (in millions of dollars)	Change in Index with +0.50% Shock (in millions of dollars)
Benchmark Index (SCUBI)	6.51	—	—	—	—
Insurance	6.63	0.12	-3.31	-251.7	-247.2
Securitization	6.63	0.12	-3.31	-9.0	-8.8

**Estimated Changes in Value Based on
Parallel Shocks**
**December 31 2005
(in millions of dollars)**
Lending Activity Portfolio

+ 200 bps	29
- 200 bps	-45

CMHC also reports on a quarterly basis the lending activity portfolios' duration gaps. The duration gap is the difference between the estimated durations of portfolio assets and liabilities. Duration gap summarizes the extent to which estimated cashflows for assets and liabilities are matched, on average, over time. A positive gap indicates greater exposure to rising interest rates because it indicates that the duration of our assets exceeds the duration of the liabilities. A negative gap signals a greater exposure to declining interest rates because the duration of our assets is less than the duration of our liabilities. At year end, the duration gap for the Direct Lending portfolio was 0.05 years, and the duration gap for the existing loans portfolio was negative 0.32 years.

Canada Housing Trust

In its securitization activity, CMHC has mitigated market risks related to its guarantees regarding the Canada Housing Trust through the internal design of the Trust, where swaps are structured to transfer prepayment and reinvestment risks to highly rated swap counterparties.

Other Financial Risks

CMHC regularly reviews changes to financial regulation, including current efforts to assess the impact of ongoing tax and hedge accounting developments, as well as capital adequacy guidelines potentially impacting financial market participants. CMHC also continues to make efforts to enhance its risk framework in line with capital adequacy and value management principles, consistent with practices employed with leading financial institutions and guidelines established by regulatory agencies. This has resulted in significant improvements in the area of performance measurement and management.

CMHC's ability to meet its financial requirements is enhanced by its status as a Crown corporation. As such, its debt instruments are obligations of Canada and carry a 0 % risk weight under guidelines prescribed by the Office of the Superintendent of Financial Institutions (OSFI). CMHC has a liquidity risk policy which includes appropriate limits and ensures that CMHC has sufficient resources to meet current and projected cash requirements. In the normal course of CMHC's business activities, the commercial paper program provides liquidity to meet cash requirements on a daily basis. Further sources of liquidity associated with this policy include overdraft facilities, lines of credit with several institutions and cash and short-term investments in marketable securities. CMHC's credit ratings are outlined in the accompanying table.

Rating Agency	DBRS	Moody's	Standard & Poor's
Short-term	R-1 (High)	P-1	A-1 (High)
Long-term (C\$)	AAA	Aaa	AAA
Long-term (foreign currency)	AAA	Aaa	AAA

CAPITAL MANAGEMENT

CMHC, through its enabling legislation and Crown corporation status, has the sovereign creditworthiness of Canada, which is reflected by "AAA" credit ratings on its debt issuance. Subject to its public policy mandate and objectives, CMHC strives to employ private sector risk management practices appropriate for its activities.

Lending Activity

Capital Authorized and Fully Paid by the Government of Canada amounted to \$25 million as of 31 December 2005. In addition, CMHC is authorized to retain the annual net income from the Lending Activity in a Reserve Fund of up to \$175 million to protect CMHC from possible future losses. Included in this limit is an amount of \$50 million designed specifically for fluctuations in net income arising from AcG-13 (i.e., guideline to account for hedging relationships), with the remainder to cover potential prepayment loss. The current Reserve Fund stands at \$143 million, of which \$21 million results from the AcG-13 guideline.



Insurance Activity

CMHC ensures the financial viability of its insurance activity by reserving for policy liabilities in accordance with prudent actuarial practices and by setting aside earnings to be consistent with capitalization guidelines developed by OSFI. OSFI provides a risk-based capital adequacy framework which establishes regulatory capital requirements for Canadian property and casualty insurers, including mortgage insurers. Although not regulated by OSFI, CMHC follows OSFI's guidelines as a prudent business practice and to maintain a level playing field with the private industry.

An annual independent external actuarial valuation ensures that reserves for policy liabilities related to all policy holder obligations in force are appropriate in accordance with accepted actuarial practice.

Securitization Activity

CMHC does not currently appropriate retained earnings for capitalization of its securitization activity. There are no comparable regulatory capital requirements for this activity as there are for insurance. CMHC pays the Government of Canada annually a fee in recognition of its ultimate backing of the securitization guarantees. This fee is based on the amount of maximum expected losses that could be incurred for new guarantees issued each year. A one-in-twenty adverse interest rate scenario together with a swap counterparty default is used to generate maximum expected losses.

OUTLOOK

Going forward, CMHC will continue to focus on risk management from an enterprise perspective, while providing specialized focus on the risk in the business lines. CMHC is engaging its managers and employees to continue to strengthen risk management practices in a rapidly evolving business environment.

Key challenges include a changing regulatory and competitive environment, new insurance and securitization products, and new government priorities. In addition to addressing key enterprise and financial risk challenges, CMHC will work towards improving general risk knowledge and awareness among staff, and on improving risk measurement and reporting. CMHC will continue to progress with strengthening its ERM process to position its strategic planning efforts to be flexible and adaptive to handle these challenges.

CMHC will further develop and integrate risk capital concepts with reserving, pricing, risk adjusted performance measurement, resource allocation and the development of new CMHC products, services and financial strategies.

FINANCIAL STATEMENTS

Financial Statements

Notes to Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

YEAR ENDED 31 DECEMBER 2005

CMHC management is responsible for the integrity and objectivity of the consolidated financial statements and related financial information presented in this annual report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and, consequently, include amounts which are based on the best estimates and judgement of management. The financial information contained elsewhere in this annual report is consistent with that in the consolidated financial statements.

In carrying out its responsibilities, management maintains appropriate financial systems and related internal controls and controls as guarantor of Canada Housing Trust to provide reasonable assurance that financial information is reliable, assets are safeguarded, transactions are properly authorized and are in accordance with the relevant legislation and by-laws of the Corporation, resources are managed efficiently and economically, and operations are carried out effectively. The system of internal controls is supported by internal audit, which conducts periodic audits of different aspects of the operations.

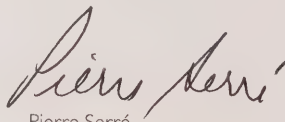
The Board of Directors, acting through the Audit Committee whose members are not officers of the Corporation, oversees management's responsibilities for financial reporting and internal control systems and controls as guarantor of Canada Housing Trust. The Board of Directors, upon the recommendation of the Audit Committee, has approved the consolidated financial statements.

Raymond Chabot Grant Thornton LLP, and Sheila Fraser, FCA, Auditor General of Canada, have audited the consolidated financial statements. The independent auditors have full access to, and meet periodically with, the Audit Committee to discuss their audit and related matters.



Karen Kinsley

President and Chief Executive Officer



Pierre Serré

Vice-President, Finance
and Chief Financial Officer

17 March 2006



Auditor General of Canada
Vérificatrice générale du Canada

Raymond Chabot Grant Thornton 

AUDITORS' REPORT

To the Minister of Human Resources and Social Development

We have audited the consolidated balance sheet of the Canada Mortgage and Housing Corporation as at 31 December 2005 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied, after giving retroactive effect to the change in the method of accounting for the Canada Housing Trust as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Mortgage and Housing Corporation Act*, the *National Housing Act* and the by-laws of the Corporation.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
17 March 2006

Raymond Chabot Grant Thornton LLP

Raymond Chabot Grant Thornton, LLP
Chartered Accountants

Montreal, Canada

CONSOLIDATED BALANCE SHEET

As at 31 December

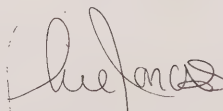
		Consolidated		CMHC		CHT	
(in millions of dollars)	Notes	2005	2004	2005	2004	2005	2004
ASSETS							
Investment in NHA Mortgage-Backed Securities	5	63,931	51,373	—	—	63,931	51,373
Loans and Investments in Housing Programs	4	13,170	13,669	13,170	13,669	—	—
Investments	5	11,242	8,637	10,021	8,594	1,672	677
Cash and Cash Equivalents		6,975	5,264	3,967	2,841	3,008	2,423
Securities Purchased Under Resale Agreements		4,040	576	112	576	3,928	—
Accrued Interest Receivable		999	829	336	332	669	502
Accounts Receivable and Other Assets		233	179	233	179	—	—
Due from the Government of Canada		212	203	212	203	—	—
Future Income Tax Assets	6	143	111	143	111	—	—
Inventory of Real Estate		74	87	74	87	—	—
Derivative-Related Amounts		74	80	74	80	—	—
		101,093	81,008	28,342	26,672	73,208	54,975
LIABILITIES							
Canada Mortgage Bonds	7	72,075	53,834	—	—	72,526	54,468
Borrowings from the Capital Markets	7	9,467	9,207	9,467	9,207	—	—
Borrowings from the Government of Canada	7	4,899	5,045	4,899	5,045	—	—
Unearned Premiums and Fees		4,694	4,355	4,694	4,355	—	—
Securities Sold Under Repurchase Agreements		3,044	2,976	3,044	2,976	—	—
Accounts Payable and Other Liabilities	9	960	870	959	869	1	1
Accrued Interest Payable		922	629	247	128	681	506
Provision for Claims	8	479	507	479	507	—	—
Securities Sold But Not Yet Purchased		111	121	111	121	—	—
Derivative-Related Amounts		14	38	14	38	—	—
		96,665	77,582	23,914	23,246	73,208	54,975
Commitments and Contingent Liabilities	20						
EQUITY OF CANADA							
Capital Authorized and Fully Paid		25	25	25	25	—	—
Retained Earnings	11	4,403	3,401	4,403	3,401	—	—
		4,428	3,426	4,428	3,426	—	—
		101,093	81,008	28,342	26,672	73,208	54,975

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors:



Dino Chiesa
Chair, Board of Directors



Sophie Joncas
Chair, Audit Committee



CONSOLIDATED INCOME STATEMENT

Year ended 31 December

		Consolidated			CMHC			CHT		
(in millions of dollars)	Notes	2005	2004	2003	2005	2004	2003	2005	2004	2003
REVENUES										
Income from NHA Mortgage-Backed Securities		2,458	1,838	1,095	—	—	—	2,458	1,838	1,095
Premiums and Fees	8	1,224	1,135	947	1,224	1,135	947	—	—	—
Interest Earned on Loans and Investments in Housing Programs	19	864	969	1,024	864	969	1,024	—	—	—
Investment Income		654	479	402	529	450	390	144	52	25
Other Income		58	32	26	24	(7)	(9)	73	80	72
		5,258	4,453	3,494	2,641	2,547	2,352	2,675	1,970	1,192
Parliamentary Appropriations for:	12,19									
Housing Programs		1,973	2,006	1,972	1,973	2,006	1,972	—	—	—
Operating Expenses		103	101	97	103	101	97	—	—	—
		2,076	2,107	2,069	2,076	2,107	2,069	—	—	—
		7,334	6,560	5,563	4,717	4,654	4,421	2,675	1,970	1,192
EXPENSES										
Housing Programs	12,19	1,973	2,006	1,972	1,973	2,006	1,972	—	—	—
Interest Expense	7	3,475	2,799	2,102	898	937	999	2,596	1,885	1,116
Operating Expenses		303	305	294	263	261	255	79	85	76
Net Claims		119	51	188	119	51	188	—	—	—
		5,870	5,161	4,556	3,253	3,255	3,414	2,675	1,970	1,192
INCOME BEFORE INCOME TAXES		1,464	1,399	1,007	1,464	1,399	1,007	—	—	—
INCOME TAXES										
	6									
Current		493	460	383	493	460	383	—	—	—
Future		(31)	(11)	(43)	(31)	(11)	(43)	—	—	—
		462	449	340	462	449	340	—	—	—
NET INCOME		1,002	950	667	1,002	950	667	—	—	—

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (NOTE 11)

(in millions of dollars)	Unappropriated Retained Earnings	Earnings Set Aside for Capitalization	Reserve for Lending	Total
Balance 31 December 2002	348	1,380	56	1,784
Net Income	632	—	35	667
Set Aside for Capitalization	(857)	857	—	—
Balance 31 December 2003	123	2,237	91	2,451
Net Income	907	—	43	950
Set Aside for Capitalization	(875)	875	—	—
Balance 31 December 2004	155	3,112	134	3,401
Net Income	993	—	9	1,002
Set Aside for Capitalization	(294)	294	—	—
Balance 31 December 2005	854	3,406	143	4,403

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December

(in millions of dollars)	Consolidated			CMHC			CHT		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES									
Net Income	1,002	950	667	1,002	950	667	—	—	—
Items Not Affecting Cash or Cash Equivalents									
Amortization of Premiums and Discounts	(30)	(14)	(2)	32	12	23	(62)	(26)	(25)
Future Income Taxes	(31)	(11)	(43)	(31)	(11)	(43)	—	—	—
Market Value Adjustment for Equities	(57)	(32)	(5)	(57)	(32)	(5)	—	—	—
Gain on Sale of Investments	—	—	—	—	—	—	—	—	—
Net Change in Non-cash Operating Assets and Liabilities	(54)	(53)	(46)	(54)	(53)	(46)	—	—	—
	364	132	382	356	129	382	8	3	—
	1,194	972	953	1,248	995	978	(54)	(23)	(25)
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES									
Investment NHA Mortgage-Backed Securities									
Repayments	15,406	9,485	5,624	—	—	—	15,406	9,485	5,624
Purchases	(27,901)	(27,237)	(21,588)	—	—	—	(27,901)	(27,237)	(21,588)
Loans and Investments in Housing Programs									
Repayments	706	673	715	706	673	715	—	—	—
Disbursements	(211)	(267)	(204)	(211)	(267)	(204)	—	—	—
Investments									
Sales and Maturities	12,124	8,273	8,252	12,076	8,106	8,252	48	167	—
Purchases	(13,771)	(9,459)	(9,766)	(13,309)	(9,355)	(9,778)	(1,041)	(584)	(237)
Change in Securities Purchased Under Resale Agreements	(3,464)	(262)	891	464	(262)	891	(3,928)	—	—
	(17,111)	(18,794)	(16,076)	(274)	(1,105)	(124)	(17,416)	(18,169)	(16,201)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES									
Issuance of Canada Mortgage Bonds	17,476	18,890	16,904	—	—	—	18,055	19,370	17,153
Medium-term Borrowings from the Capital Markets									
Issuances	2,161	850	2,290	2,161	850	2,290	—	—	—
Repayments	(2,336)	(2,350)	(1,890)	(2,336)	(2,350)	(1,890)	—	—	—
Change in Short-term Borrowings from the Capital Markets	415	612	(166)	415	612	(166)	—	—	—
Repayment of Borrowings from the Government of Canada	(146)	(187)	(242)	(146)	(187)	(242)	—	—	—
Change in Securities Sold Under Repurchase Agreements	68	1,422	438	68	1,422	438	—	—	—
Change in Securities Sold But Not Yet Purchased	(10)	119	(71)	(10)	119	(71)	—	—	—
	17,628	19,356	17,263	152	466	359	18,055	19,370	17,153
Increase in Cash and Cash Equivalents	1,711	1,534	2,140	1,126	356	1,213	585	1,178	927
Cash and Cash Equivalents									
Beginning of year	5,264	3,730	1,590	2,841	2,485	1,272	2,423	1,245	318
End of year	6,975	5,264	3,730	3,967	2,841	2,485	3,008	2,423	1,245
Represented by:									
Cash	(7)	4	6	(7)	4	6	—	—	—
Cash Equivalents	6,982	5,260	3,724	3,974	2,837	2,479	3,008	2,423	1,245
	6,975	5,264	3,730	3,967	2,841	2,485	3,008	2,423	1,245
Supplementary Disclosure of Cash Flow Information									
Amount of Interest Paid During the Year	3,166	2,641	1,951	771	960	989	2,418	1,702	974
Amount of Income Taxes Paid During the Year	494	476	390	494	476	390	—	—	—

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2005

1. CORPORATE MANDATE

These consolidated financial statements include the accounts of Canada Mortgage and Housing Corporation (CMHC) and Canada Housing Trust (CHT) a variable interest entity.

The Corporation's mandate is to promote the construction, repair and modernization of housing, the improvement of housing and living conditions, housing affordability and choice, the availability of low-cost financing for housing and the national well-being of the housing sector.

CMHC was established as a Crown corporation in 1946 by the *Canada Mortgage and Housing Corporation Act* (the "CMHC Act") to carry out the provisions of the *National Housing Act* (the "NHA"). It is also governed by the *Financial Administration Act* (the "FAA"), and is wholly-owned by the Government of Canada.

CHT was established in 2001 as an Issuer Trustee. CHT's functions are limited to the acquisition of interests in eligible housing loans such as *National Housing Act* Mortgage-Backed Securities (NHA MBS), the purchase of highly-rated investments, certain related financial hedging activities and the issuance of Canada Mortgage Bonds (CMB). The CMB are guaranteed by CMHC under its Securitization Activity. The beneficiaries of the Trust, after payment of all obligations, are one or more charitable organizations.

The Corporation's mandate is carried out through the following activities:

Insurance: CMHC provides insurance against borrower default on residential mortgages.

Securitization: CMHC guarantees the timely payment of principal and interest for investors in securities based on insured mortgages. The CMHC Guarantee is a direct and unconditional obligation of CMHC as an agent of Canada and carries the full faith and credit of Canada and constitutes a direct and unconditional obligation of and by the Government of Canada.

Housing Programs: CMHC receives Parliamentary appropriations which are used to fund housing programs.

Lending: CMHC makes loans and investments in housing programs which are funded by borrowings. A significant number of these loans and investments are supported with housing program subsidies.

Within the Public Accounts of Canada, the Corporation's annual Net Income increases the Government's annual surplus; its Capital and Retained Earnings reduce the Government's accumulated deficit.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP). GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related disclosures. Actual results could differ from those estimates.

Basis of Presentation

These consolidated financial statements include the accounts of Canada Mortgage and Housing Corporation (CMHC) and, as required by *Accounting Guideline 15: Consolidation of Variable Interest Entities* (AcG-15) issued by the Canadian Institute of Chartered Accountants (see Note 3), the accounts of Canada Housing Trust (CHT), a variable interest entity (VIE) for which CMHC is considered to be the primary beneficiary. The assets and liabilities of CHT, are neither owned by nor held for the benefit of CMHC and are therefore disclosed separately in the consolidated financial statements and related notes. Revenues, expenses and cash flows relating to CHT have received similar treatment. Inter-entity balances and transactions have been eliminated in the consolidated figures.

Loans and Investments in Housing Programs

Loans are carried at cost. Where loans contain forgiveness clauses, they are recorded net of the forgiveness which is reimbursed through Parliamentary appropriations when the loans are advanced.

Investments in Housing Programs, which represent CMHC's ownership interest in various housing projects, are carried at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the life of the investment. CMHC's portion of net operating losses and disposal losses is reimbursed through Parliamentary appropriations.

Interest Earned on Loans and Investments in Housing Programs is recorded on an accrual basis.

Full collection of principal and accrued interest on the majority of the Loans and Investments in Housing Programs is assured as described in Note 4.

Investments

	Carrying Value	Recognition of Realized Gains and Losses	Recognition of Impairment
Lending — Investments held for cash management purposes and investments relating to managing interest rate risk associated with lending activities.	Amortized cost. Premiums and discounts are deferred and amortized on a constant yield basis over the term of the related investments.	Gains and losses are included in income at the time of sale.	Specific securities are written down to their market value when the decline in the value of the security is other than temporary. The resulting loss is recorded in the year in which the impairment occurs.
Insurance and Securitization (excluding CHT) — Fixed income securities generally purchased with the intention to hold them to maturity to meet long-term obligations.	Amortized cost. Premiums and discounts are deferred and amortized on a constant yield basis over the term of the related investments.	Gains and losses are deferred and amortized over the remaining life of the original investment.	Specific securities are written down to their market value when the decline in the value of the security is other than temporary. The resulting loss is recorded in the year in which the impairment occurs.
Insurance and Securitization (excluding CHT) — Equities	Cost, plus a moving average market value adjustment of 5% per quarter.	Net gains and losses are deferred and amortized to Investment Income at 5% per quarter on a declining balance basis.	Written down to their market value when the decline in the value of the portfolio is other than temporary. The resulting loss is recorded in the year in which the impairment occurs.
Canada Housing Trust — Investments	Amortized cost. Premiums and discounts are deferred and amortized on a straight-line basis over the term of the related investments.	Gains and losses are included in income at the time of sale.	Specific securities are written down to their market value when the decline in the value of the security is other than temporary. The resulting loss is recorded in the year in which the impairment occurs.
Canada Housing Trust — Investment in NHA Mortgage-Backed Securities	Amortized cost. Premiums and discounts are deferred and amortized on a straight-line basis accelerated for unscheduled principal repayments.	Gains and losses are included in income at the time of sale.	Insignificant risk of impairment.

Cash and Cash Equivalents

Cash and Cash Equivalents are comprised of cash and short-term, highly liquid investments (primarily corporate entities) with terms to maturity of 98 days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These investments are carried at the lower of cost and market value. Gains and losses from sales of cash equivalents are included in Investment Income at the time of sale. Cash equivalents must have a minimum credit rating of R-1 (Low).

Securities Purchased Under Resale Agreements and Sold Under Repurchase Agreements

Securities Purchased Under Resale Agreements (Reverse Repurchase Agreements) consist of the purchase of securities, typically government treasury bills or bonds, with the commitment to resell the securities to the original seller at a specified price and date. Securities Sold Under Repurchase Agreements (Repurchase Agreements) consist of the sale of securities with the commitment to repurchase the securities from the original buyer at a specified price and date. These items are carried at cost, plus accrued interest. Proceeds from securities sold under repurchase agreements are invested for the purpose of generating additional income. Such transactions are entered into simultaneously with matching terms to maturity. As a result, the associated interest earned and interest expense are included in income on an accrual basis.

Securities Sold But Not Yet Purchased

Securities Sold But Not Yet Purchased represent an obligation to deliver securities which are not owned at the time of sale. These obligations are recorded at fair value. Realized and unrealized gains and losses are included in Interest Expense.

Inventory of Real Estate

Inventory of Real Estate is carried at the lower of cost and fair value. Cost is determined as the acquisition cost, plus modernization and improvement costs where applicable. Fair value is calculated as the current market value of the property, less the discounted value of estimated holding and disposal costs.

For certain properties, net operating losses and disposal losses are reimbursed through Parliamentary appropriations while net operating profits and disposal gains are returned to the Government of Canada.

Borrowings from the Capital Markets

Issuance costs on borrowings from the capital markets are deferred and amortized on a straight-line basis over the term of the debt issue. Premiums and discounts on borrowings from the capital markets are deferred and amortized on a constant yield basis over the term of the debt issue.

Canada Mortgage Bonds

Canada Mortgage Bonds, which are guaranteed by CMHC, consist of interest bearing bullet bonds. Coupon interest payments are made semi-annually for fixed-rate CMB and quarterly for floating-rate CMB. Principal repayments on the bonds are made at the end of the term. These are recorded at the cash amount received and any premium or discount is amortized on a straight-line basis to interest expense over the term to maturity. Interest is taken into expense on an accrual basis. Direct costs associated with the issuance of the bonds are expensed in the year incurred. The Approved MBS Sellers reimburse CHT for the cost of arranging financing for the purchase of NHA MBS. This includes the fees paid to CMHC as Guarantor and Financial Services Advisor, underwriters and others for the distribution of CMB.



Premiums and Fees

Insurance premiums are due at the inception of the mortgage being insured at which time they are deferred and recognized as income over the period covered by the insurance contract using factors determined by an Appointed Actuary. These factors reflect the long-term pattern for default risk by age of a mortgage insurance policy.

Unearned premiums represent the portion of the premiums written that relates to the unexpired portion of the policy at the Balance Sheet date and therefore relate to claims that may occur from the Balance Sheet date to the termination of the insurance policies. Annually, the unearned premiums are compared to an estimate of total future claims on a discounted basis to ensure the amount is sufficient.

Guarantee fees from Securitization are received at the inception of the related security issue at which time they are deferred and recognized as income over the term of the security issue (typically five years) on a straight-line basis.

Application fees and costs associated with issuing mortgage insurance policies and timely payment guarantees are recorded on an accrual basis.

Provision for Claims

The Provision for Claims represents an estimate for expected claims and the related settlement expenses, net of the related expected mortgage foreclosure proceeds, for defaults from the Insurance business that have occurred on or before the Balance Sheet date. The provision takes into consideration the estimate of losses on defaults that have been incurred but not reported, the time value of money and in accordance with accepted actuarial practice, includes an explicit provision for adverse deviation.

The establishment of the Provision for Claims involves estimates, which are based upon historical trends, prevailing legal, economic, social and regulatory trends, and expectations as to future developments. The process of determining the provision necessarily involves risks that the actual results will deviate, perhaps significantly, from the estimates made.

The loss on actual mortgage defaults and the change in estimate for the Provision for Claims are recorded in Net Claims in the year in which they occur.

Housing Programs

Parliamentary appropriations for Housing Programs, and the related expenses, are recorded on an accrual basis. Those expenses incurred but not yet reimbursed are recorded as Due from the Government of Canada.

Employee Future Benefits

CMHC provides a defined benefit pension plan, a supplemental pension plan, and other post-employment benefits consisting of severance pay, life insurance and medical insurance.

Pension benefits are based on length of service and average earnings of the best five-year period as classified under defined benefit pension arrangements. The pension benefits are adjusted annually by a percentage equivalent to the increase in the average Consumer Price Index during the previous year. The obligations under employee benefit plans and the related costs are accrued, net of plan assets.

The cost of pension and other post-employment benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected long-term pension plan investment performance, salary increases, retirement ages of employees, mortality of members and expected health care costs. These assumptions are of a long-term nature, which is consistent with the nature of employee future benefits. Actual results could differ from these estimates.

Costs are determined as the cost of employee benefits for the current year's service, interest cost on the accrued benefit obligation, expected investment return on the fair value of plan assets and the amortization of the transitional asset/obligation, the deferred actuarial gains/losses and the deferred past service costs.

The transitional asset/obligation, and past service costs are amortized over the average remaining service period of active employees under the plans. The excess of the net actuarial gain/loss over 10% of the greater of the benefit obligation or the fair value of the plan assets is amortized over the average remaining service period of active employees under the plans.

Derivative Financial Instruments

The Corporation enters into derivative financial instruments such as interest rate swaps and foreign currency swaps in order to manage its exposures to market risks. It does not use freestanding derivative financial instruments for trading or speculative purposes.

In order for a derivative financial instrument to qualify as an eligible hedge for accounting purposes, the hedge relationship must be designated and formally documented at its inception. The particular risk management objective and strategy for the hedge, the specific asset, liability or cash flow being hedged, and how effectiveness is measured are all formally documented. Formal assessments, both at the hedge's inception and on an ongoing basis, are also done to determine whether the derivative is highly effective in offsetting either changes in fair value or future cash flows of hedged items.

For all CHT derivative financial instruments that qualify as eligible hedges, income/expenses are recorded as adjustments to Income from NHA Mortgage-Backed Securities on an accrual basis. The related amount payable to, or receivable from, swap counterparties is included in accrued interest.

For all other derivative financial instruments that qualify as eligible hedges, income/expenses are recorded as adjustments to Interest Expense on an accrual basis. The related amount payable to, or receivable from, counterparties is included in accrued interest. Translation gains/losses arising on foreign currency swaps that qualify as eligible hedges are offset by translation gains/losses on the related debt.

Hedge accounting is discontinued prospectively if the hedge relationship is no longer effective, the derivative financial instrument is no longer designated as an eligible hedge, or if the designated hedged item matures, is sold or is terminated. Deferred gains or losses associated with derivative instruments, which have been terminated or cease to be effective prior to maturity, are recognized in income in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, any previously deferred gain or loss on such derivative instrument is immediately recognized in income. The derivative financial instrument is then carried at fair value on the Consolidated Balance Sheet as of the date that hedge accounting is discontinued and subsequent changes in fair value are recognized in Other Income.

Derivative financial instruments that do not qualify, or have not been designated, as eligible hedges for accounting purposes are carried at fair value on the Consolidated Balance Sheet as Derivative-Related Amounts. Subsequent changes in fair value are recorded in Other Income.

Income Taxes

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized based on the estimated tax effect of temporary differences in the carrying value of assets and liabilities in the financial statements and their respective tax bases, using income tax rates substantively enacted on the Balance Sheet date.

Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the Balance Sheet date. Exchange gains and losses resulting from the translation of foreign denominated balances are included in Interest Expense.

Future Accounting Changes — Financial Instruments

In January 2005, the Canadian Institute of Chartered Accountants (CICA) issued three new accounting standards: Section 3855, Financial Instruments — Recognition and Measurement; Section 3865, Hedges; and Section 1530, Comprehensive Income. They are currently being assessed to determine the impact they will have when adopted in January 2007. The new requirements are as follows:

Section 3855 — prescribes standards for recognizing and measuring financial instruments on the Balance Sheet and how related gains and losses are to be presented.

Section 3865 — modifies the timing of recognizing gains or losses under Section 3855 to permit the matching of gains and losses in the Income Statement for financial instruments included in highly effective hedging transactions.

Section 1530 — introduces a new component of Shareholders' Equity and a new Statement of Comprehensive Income that will present certain gains and losses arising from the application of Sections 3855 and 3865, before they are transferred to the Income Statement.

3. CHANGE IN ACCOUNTING POLICY

Effective 1 January 2005, the Corporation adopted *Accounting Guideline 15: Consolidation of Variable Interest Entities* (AcG-15), issued by the Canadian Institute of Chartered Accountants, which requires the consolidation of certain VIEs that are subject to control on a basis other than through ownership of a majority of voting interest. This change in accounting policy has been applied retroactively and prior years' figures have been restated.

AcG-15 defines a variable interest entity as an entity that either does not have sufficient equity at risk to finance its activities without subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. CHT is such a variable interest entity. AcG-15 requires the primary beneficiary to consolidate VIEs and considers an entity to be the primary beneficiary of a VIE if it is exposed to the majority of the expected losses or will receive the majority of the expected residual returns, or both. CMHC is considered the primary beneficiary of CHT. Therefore, for accounting purposes, CHT is consolidated with the financial statements of CMHC.

The Trustee of CHT has entered into agreements with a number of parties to provide various services to CHT, including CMHC. Under one such agreement, CMHC, as agent of Canada, has guaranteed the timely payment of the interest payments and the principal at maturity on all CMB issued by CHT to date. Once provided, the guarantee becomes a direct and unconditional obligation of the Government of Canada and is irrevocable until full repayment of the CMB at maturity (typically within five years of issuance). In addition, under a Financial Services Advisor (FSA) Agreement, CMHC gauges market demand for bond issuance and assesses the potential supply of housing loans available to be packaged for sale to CHT.

Pursuant to the purchase agreements and other relevant program agreements, CHT purchases ownership interest in pools of NHA MBS, which are pledged as security for CMB issued by CHT to finance the purchases. CHT assets are neither owned by nor held for the benefit of CMHC. Consequently, CHT's assets are not available to CMHC for its general corporate purposes or to satisfy any liabilities of CMHC. Details of CHT's interest in the NHA MBS and the CMB issued to finance the purchases are disclosed in Notes 5 and 7 respectively.

The impact from the consolidation of CHT on the consolidated financial statements at 31 December 2005 is an increase of \$72,751 million (2004 — \$54,336 million) in consolidated assets and liabilities, as well as a \$2,617 million (2004 — \$1,906 million) increase in both revenues and expenses. As a result, there is no impact on consolidated Net Income or consolidated Retained Earnings.

4. LOANS AND INVESTMENTS IN HOUSING PROGRAMS

CMHC makes loans and investments in housing programs either independently or jointly with provincial, territorial, and municipal authorities. These loans and investments were issued for terms up to 50 years. Of the total portfolio, \$12,969 million, or 98% (2004 — \$13,478 million or 99%) are due and payable beyond five years.

Approximately \$12,485 million, representing 95% (2004 — \$12,916 million, or 95%) of the loans and investments in housing programs, are supported with housing program subsidies.

At 31 December 2005, CMHC is assured full collection of principal and accrued interest on the majority of the portfolio from the Provinces and Territories through provisions in social housing agreements (39%), the Government of Canada through provisions in the NHA (25%), and Indian and Northern Affairs Canada through Ministerial loan guarantees (4%).

The remainder of the portfolio (32%) is underwritten through the Insurance Activity. Provision for losses on these loans is included in the determination of Provision for Claims and Unearned Premiums.

5. INVESTMENTS

The following table shows the maturity structure and average yield of Investments.

(in millions of dollars)	Term to Maturity				2005	2004
	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years		
CMHC						
Fixed Income Securities						
Issued or Guaranteed by:						
Government of Canada	43	862	1,242	1,537	3,684	3,056
Provinces/Municipalities	—	300	203	1,454	1,957	1,662
Corporate/Other Entities	269	810	461	1,377	2,917	2,459
Total Fixed Income	312	1,972	1,906	4,368	8,558	7,177
Yield ⁽¹⁾	2.85%	3.96%	4.23%	4.92%	4.47%	4.64%
Equities (no specific maturity)						
Canadian Equities					798	827
US Equities					351	296
Foreign Equities					314	294
Total Equities					1,463	1,417
Yield ⁽²⁾					3.14%	2.62%
Total CMHC					10,021	8,594
CHT						
Fixed Income Securities						
Issued or Guaranteed by:						
Government of Canada	546	444	53	—	1,043	677
Corporate/Other Entities	629	—	—	—	629	—
Total CHT	1,175	444	53	—	1,672	677
Yield ⁽¹⁾	3.35%	3.45%	3.61%	—	3.38%	3.33%
Inter-entity Elimination					(451)	(634)
Grand Total					11,242	8,637

(1) Represents the weighted-average yield, which is determined by applying the weighted average of the book yields of individual securities.

(2) The weighted-average yield is determined by applying the stated dividend rates of equity securities.

Sales of investments in the Lending portfolio resulted in a net loss of \$6 million in 2005 (2004 — \$12 million gain, 2003 — \$2 million gain) which has been expensed in the current year. Sales of investments in the Insurance and Securitization portfolios resulted in a net gain of \$171 million in 2005 (2004 — \$68 million gain, 2003 — \$52 million gain) which has been deferred. These treatments are in accordance with the accounting policies described in Note 2. Cumulative deferred gains are presented in Note 9.

CHT investments are managed by swap counterparties pursuant to contractual agreements and CMHC cannot access any of the investments except in the event of a swap counterparty default.

The CHT NHA MBS maturities are estimated based on assumptions regarding mortgage prepayments and liquidations, excluding new issuance and unscheduled prepayment. The following table shows the maturity structure and average yield of CHT investments.

(in millions of dollars)	Term to Maturity				2005	2004
	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years		
Investment in NHA Mortgage-Backed Securities	10,112	30,616	23,203	—	63,931	51,373
Yield ⁽¹⁾	3.88%	3.94%	3.88%	—	3.91%	3.40%

(1) Represents the weighted-average yield, which is determined by applying the weighted average of the book yields of individual securities.

6. INCOME TAXES

CMHC is subject to federal income tax. It is not subject to provincial income tax. A reconciliation of CMHC's Income Tax Expense is as follows:

(in millions of dollars)	2005	2004	2003
Income Taxes Computed at Statutory Tax Rate (2005 — 33%, 2004 — 33%, 2003 — 35%)	476	454	349
Net Reduction of Future Income Tax Assets	—	(2)	(8)
Permanent Differences	(6)	(5)	(4)
Other	(8)	2	3
Income Tax Expense	462	449	340

The tax-effected temporary differences which result in future income tax assets and liabilities are as follows:

(in millions of dollars)	2005	2004
Provisions for Actuarial Liabilities	(26)	(10)
Deferred Revenue	61	35
Deferred Expenses	13	12
Expenses Incurred But Not Yet Disbursed	7	8
Appreciation in Value of Equities	87	65
Other	1	1
Future Income Tax Assets	143	111

CHT is subject to federal and provincial income taxes on the amount of taxable income for the period and is permitted a deduction for all amounts paid or payable to CHT's beneficiary in determining income for tax purposes. As all income is distributed to the beneficiary, no provision for income taxes has been reflected in these consolidated financial statements.

7. BORROWINGS

Prior to 1993, Loans and Investments in Housing Programs were funded by Borrowings from the Government of Canada. Since that time, CMHC has made its borrowings solely from the capital markets as an agent of Canada. Legislative authority, which does not apply to borrowings of Canada Housing Trust, requires that the total indebtedness from the capital markets outstanding at any time cannot exceed \$20 billion. The Minister of Finance approves CMHC's Borrowing Plan annually and establishes limits and parameters for borrowings.

The following table summarizes the carrying value and yield for Borrowings from the Government of Canada based on repayments and for Borrowings from the Capital Markets based on term to maturity. Capital market borrowings include US denominated debt. Foreign currency principal and interest payments are fully swapped to Canadian dollar obligations.

	2005					2004	
	Government of Canada		Foreign Currency Borrowings ⁽²⁾	Capital Markets		Carrying Value	
	Carrying Value	Yield ⁽¹⁾		Carrying Value	Yield ⁽¹⁾	Government of Canada	Capital Markets
(in millions of dollars)							
2005	—	—	—	—	—	145	3,501
2006	198	8.09%	—	3,153	3.84%	199	1,453
2007	255	8.82%	—	1,258	4.70%	255	1,257
2008	210	8.90%	1,160	1,160	4.48%	210	1,201
2009	210	8.88%	—	1,049	3.91%	210	1,049
2010	204	8.79%	1,450	1,450	3.94%	204	—
2011–2015	1,064	8.53%	—	1,397	4.79%	1,064	746
Thereafter	2,758	9.39%	—	—	—	2,758	—
Total	4,899	9.08%	2,610	9,467	4.20%	5,045	9,207

(1) Represents the weighted average yield, which is determined by applying the weighted average book yields of individual fixed income securities and the weighted average yields to reset of floating-rate notes.

(2) Canadian equivalent of US denominated debt (included in carrying value).

Included in capital market borrowings are commercial paper with a term to maturity less than 365 days and medium-term debt. Commercial paper outstanding is \$1,701 million and the yield on these borrowings is 3.13%. Medium-term debt includes bonds, floating-rate and fixed-rate medium-term notes, with a term to maturity ranging from two to ten years. Floating-rate notes represent \$400 million (2004 — \$550 million) of Borrowings from the Capital Markets.

The 2005 interest expense related to Borrowings from the Government of Canada is \$451 million (2004 — \$469 million, 2003 — \$488 million) and \$419 million (2004 — \$486 million, 2003 — \$522 million) for Borrowings from the Capital Markets.

Lines of Credit

At 31 December 2005, CMHC had \$450 million (2004 — \$450 million) in unused, uncommitted lines of credit. In addition, \$100 million (2004 — \$100 million) of overnight overdraft facility was available with its banker that had not been drawn.

Canada Mortgage Bonds

CMB are fixed interest semi-annual or floating interest quarterly coupon bonds issued by CHT. The principal is payable at the maturity of the bonds. CMHC guarantees timely payment of interest and principal on CMB issued by CHT. This guarantee to investors is unconditional and irrevocable until full payment of the CMB.

The following table summarizes the carrying value and yield for the CMHC guaranteed CMB based on term to maturity.

(in millions of dollars)	2005		2004
	Carrying Value	Yield ⁽¹⁾	Carrying Value
2006	2,200	5.53%	2,200
2007	12,618	4.94%	12,627
2008	20,295	4.10%	20,274
2009	13,109	4.28%	13,125
2010	19,364	3.61%	6,242
2011–2015	4,940	4.05%	—
Thereafter	—	—	—
	72,526	4.19%	54,468
Inter-entity Elimination	(451)		(634)
Total	72,075	4.18%	53,834

(1) Represents the weighted-average yield, which is determined by applying the weighted average book yields of individual securities to the weighted average yields to reset of floating-rate notes.

In order to meet the principal obligations of the bonds, the principal payments and prepayments from the underlying mortgages are held in a principal account in the name of CHT, managed and reinvested into eligible assets by the swap counterparties.

8. INSURANCE

Role of the Appointed Actuary

The actuary is appointed by CMHC's management to carry out a valuation of the policy liabilities of the mortgage insurance activity as at 30 September and to provide an opinion to management regarding their appropriateness at the valuation date. The factors and techniques used in the valuation are in accordance with accepted actuarial practice, applicable legislation, and associated regulations. The scope of the valuation encompasses the policy liabilities that consist of a Provision for Claims on the expired portion of policies and of future obligations on the unexpired portion of policies (Unearned Premiums). In performing the valuation of the liabilities for these contingent future events, which are by their very nature inherently variable, the actuary makes assumptions as to future claim rates, average loss on claims, trends, expenses and other contingencies, taking into consideration the circumstances of CMHC and the nature of the insurance policies.

CMHC determines Provisions for Claims and Unearned Premiums at 31 December using valuation factors from the 30 September valuation, taking into account premiums received and claims paid in the intervening period.

Nature of Provision for Claims

The establishment of the Provision for Claims for mortgage insurance is based on known facts and interpretation of circumstances, and is therefore a complex and dynamic process, influenced by a large variety of factors. These factors are continually evolving and changing as they are affected by underwriting and claim settlement procedures, actuarial studies, professional experience, the quality of data utilized for projection purposes, economic conditions, and general credit behaviour. Consequently, the establishment of the Provision for Claims necessarily involves risks that the actual results will deviate, perhaps significantly, from the best estimates made.

The factors affect the key actuarial assumptions as follows:

Claim emergence: Claim emergence encompasses claim frequency and claim occurrence patterns. It is based on historical trends in claims reporting and payment delays.

Claim severity: Claim severity, or average loss on claims, is dependent on the dollar value of claims, losses on sales of real estate properties, administrative expenses, and sales delays. These factors are based on historical experience.

Economic conditions: Recent past and projected economic factors, such as unemployment rates, mortgage rates, and changes in housing prices, affect the forecast of future claim levels.

The provision for claims is based on projections of future losses on claims and related expenses. The actual future claims may not develop exactly as projected and may in fact vary significantly from the projections. Further, the projections make no provision for new classes of claims categories not sufficiently recognized in the claims database.

All provisions are periodically reviewed and evaluated in light of emerging claim experience and changing circumstances. The resulting changes in estimates of the Provision for Claims are recorded in Net Claims in the year in which they are determined.

Change in Provision for Claims

(in millions of dollars)	2005	2004
Balance at 1 January	507	622
Impact of Increased Business Volumes	13	8
Change in Assumptions:		
Claim Emergence	(2)	(39)
Claim Severity	1	—
Economic Conditions	(28)	(85)
Other	(12)	1
Balance at 31 December	479	507

The Provision for Claims is mostly affected by changes in assumptions for economic conditions. Average 5-year mortgage interest rates and the unemployment rate improved by about 30 basis points in 2005 compared to 2004 and house price inflation remained high. Changes in actuarial assumptions for claim emergence and claim severity primarily have longer term impacts.

CMHC uses Dynamic Financial Analysis (DFA) to model the impact on the Insurance Activity of adverse economic shocks, including recessions. Recessions involve a combination of adverse interest rate impacts, high unemployment rate outcomes and deteriorating house prices. The DFA analysis for the 2006–2010 Corporate Plan showed that a 4-quarter recession beginning in 2006 would increase the provision for claims by more than \$100 million over current levels.

To provide a further measure of sensitivity of the change in Provision for Claims, it is estimated that for every 5% change in the estimate of future claim settlement cost or every 5% change in the estimate of future claim rate, the effect on pre-tax income would be an increase/decrease of approximately \$10 million.

These sensitivities are hypothetical and should be viewed in that light. The relationship of a change in assumption to the change in value may not be linear. Changes in one factor may result in changes in another which might magnify or counteract the sensitivities.

Insurance in Force

Under Section 11 of the NHA, the aggregate outstanding amount of mortgage insurance policies may not exceed \$300 billion. At 31 December 2005, insurance policies in force totalled \$274 billion (2004 — \$244 billion).

9. ACCOUNTS PAYABLE AND OTHER LIABILITIES

The following table presents the composition of Accounts Payable and Other Liabilities.

(in millions of dollars)		
	2005	2004
CMHC		
Foreign Exchange Adjustment on Foreign Currency Swaps	293	317
Deferred Gains on Disposals of Investments	228	109
Accrued Housing Program Expenses	174	166
Accrued Benefit Liability for Supplemental Pension Plan and Other Post-employment Benefits	78	67
Income Taxes Payable	59	62
Obligation Under Capital Lease	21	22
Unamortized Transitional Gain Arising from the Implementation of AcG-13 — Hedging Relationships	16	20
Government of Canada Fees Payable	5	25
Other Miscellaneous Liabilities	85	81
Total CMHC	959	869
CHT	1	1
Grand Total	960	870

10. SECURITIZATION

CMHC guarantees the timely payment of principal and interest for investors in securities issued, by Approved Issuers (primarily lending institutions), on the basis of housing loans through the NHA MBS program and the bonds issued by CHT through the Canada Mortgage Bonds (CMB) Program.

CMHC has determined that a provision for claims on these programs is not required. This is based on historical results and program design whereby only insured mortgages are eligible for securitization. In addition, CMHC requires that CHT only transact with swap counterparties of high creditworthiness, that collateralization occurs in the event that counterparty credit ratings fall, and that all investments are rated R-1 (High) or AAA.

Guarantees in Force

Under Section 15 of the NHA, the aggregate outstanding amount of principal guarantees may not exceed \$300 billion. At 31 December 2005, guarantees in force totalled \$104 billion (2004 — \$81 billion) which includes \$31 billion of CMHC guaranteed NHA MBS (2004 — \$26 billion) and \$73 billion of CMHC guaranteed CMB issued by CHT (2004 — \$55 billion) as disclosed in the following table.

(in millions of dollars)	2005	2004
Outstanding Balance at 31 December	72,550	54,450
Unamortized (Discount) Premium	(24)	18
	72,526	54,468
Inter-entity Elimination	(451)	(634)
Balance at 31 December	72,075	53,834

11. RETAINED EARNINGS

Earnings Set Aside for Capitalization represent the portion of cumulative Net Income generated by the Insurance Activity that has been set aside for the purposes of being consistent with capitalization guidelines developed by the Office of the Superintendent of Financial Institutions (OSFI) and is approved annually through CMHC's Corporate Plan. Unappropriated Retained Earnings represent Net Income generated by the Insurance Activity that has not been set aside for capitalization purposes, and all of the retained earnings of the Securitization Activity.

CMHC places all lending-related retained earnings in its Reserve for Lending. The components of this Reserve are outlined in the following table.

(in millions of dollars)	Authorized Limit	31 December 2005	31 December 2004
Reserve for Fluctuations in Net Income Arising from AcG-I 3: <i>Hedging Relationships</i>	50	21	16
Reserve for All Other Lending-Related Items	125	122	118
Reserve for Lending	175	143	134

12. HOUSING PROGRAMS

CMHC provides payments to support the following housing programs which are funded by Parliamentary appropriations

(in millions of dollars)	2005	2004	2003
Non-Profit	586	593	589
Public Housing	483	511	502
Affordable Housing	175	173	166
Rural and Native Housing	151	158	165
Rent Assistance	142	139	143
Renovation Programs	113	114	88
Urban Native	105	94	92
On Reserve	99	100	95
Co-operatives	83	86	89
Limited Dividend	12	12	12
Research and Information Transfer	10	8	9
Other	14	18	22
Total	1,973	2,006	1,972

Of the total amount spent on housing programs in 2005, \$950 million (2004 — \$957 million, 2003 — \$961 million) was spent under programs transferred to Provinces/Territories under Social Housing Agreements. These amounts are disclosed above based on the allocation within the agreements which also provide that where there may be an over-funding in one program, the Province/Territory may spend the amount on other housing programs.

13. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are financial contracts whose value is derived from price movements in one or more underlying securities, indices or other instruments or derivatives. The Corporation uses derivatives (interest rate swaps and foreign currency swaps) in connection with its risk management activities.

Interest rate swaps are transactions in which two parties exchange interest cash flows on a specified notional amount for a predetermined period based on agreed-upon fixed and floating rates. Notional amounts are not exchanged. The value of these swaps is derived from movements in interest rates. They are used to manage reinvestment risk, refinancing risk, or mismatches in the timing of receipts on assets versus payments on liabilities.

Foreign currency swaps are transactions in which two parties exchange currencies and interest cash flows on a specified notional amount for a predetermined period. The notional amount is exchanged at inception and at maturity. The value of these swaps is derived from movements in foreign exchange and interest rates. They are used to manage foreign exchange risk arising from foreign denominated debt.

The table below provides the notional amounts of the Corporation's derivative transactions. Notional amounts, which are off-balance sheet, serve as a point of reference for calculating payments and do not represent the fair value, or the potential gain or loss associated with the credit or market risk of such instruments.

(in millions of dollars)	Ineligible for Hedge Accounting		Eligible for Hedge Accounting	
	2005	2004	2005	2004
CMHC				
Interest Rate Swaps	15,967	15,562	300	300
Foreign Currency Swaps	—	—	2,904	2,119
Total CMHC	15,967	15,562	3,204	2,419
CHT				
Interest Rate Swaps	—	—	72,550	54,450
Grand Total — Notional	15,967	15,562	75,754	56,869

14. MARKET RISK

Market risk is the risk of adverse financial impact arising from changes in underlying market factors, including interest rates, foreign exchange rates, and equity prices.

Interest Rate Risk

CMHC manages interest rate risk through the implementation of policies which include risk limits for its investments and the Lending Activity.

The investment portfolios for Insurance and Securitization are managed taking into consideration the liability profile and by limiting price sensitivity to interest rate changes relative to benchmark indices and by appropriate asset diversification. Interest rate risk associated with the Lending Activity is managed through asset and liability matching, hedging and capital market strategies. CHT enters into swap agreements to manage the risk that the interest earned on its investments would not be sufficient to meet its CMB obligations. With these swaps, all interest payments to CHT, net of its expenses, are paid to the swap counterparties and CHT receives payments equal to the interest it is required to pay on the CMB.

The following table provides details regarding the Corporation's exposure to interest rate risk.

(in millions of dollars)	Within 3 Months ⁽¹⁾	3 Months to 1 Year	1 to 5 Years	Over 5 Years	Other ⁽²⁾	CHT	Inter-entity Elimination	2005	2004
Assets									
Investment in NHA MBS	—	—	—	—	—	63,931	—	63,931	51,373
Effective Interest Rate ⁽³⁾	—	—	—	—	—	3.91%	—	—	—
Loans and Investments in Housing Programs	861	1,316	4,977	5,982	34	—	—	13,170	13,669
Effective Interest Rate	6.00%	5.31%	4.50%	7.86%	—	—	—	—	—
Investments	—	312	3,878	4,368	1,463	1,672	(451)	11,242	8,637
Effective Interest Rate	—	2.85%	4.09%	4.92%	3.14%	3.38%	—	—	—
Cash and Cash Equivalents	3,967	—	—	—	—	3,008	—	6,975	5,264
Effective Interest Rate	3.32%	—	—	—	—	3.17%	—	—	—
Securities Purchased Under Resale Agreements	112	—	—	—	—	3,928	—	4,040	576
Effective Interest Rate	3.10%	—	—	—	—	3.10%	—	—	—
Derivative-Related Amounts Receive Side Instrument	578	1,910	5,757	2,209	74	—	—	10,528	80
Effective Interest Rate	3.59%	5.74%	4.82%	5.26%	—	—	—	—	—
Derivative-Related Amounts Pay Side Instrument	(1,179)	(1,934)	(5,525)	(1,816)	—	—	—	(10,454)	—
Effective Interest Rate	3.30%	5.11%	4.36%	4.81%	—	—	—	—	—
Other Assets	—	—	—	—	998	669	(6)	1,661	1,409
Total Assets	4,339	1,604	9,087	10,743	2,569	73,208	(457)	101,093	81,008
Liabilities									
Canada Mortgage Bonds	—	—	—	—	—	72,526	(451)	72,075	53,834
Effective Interest Rate	—	—	—	—	—	4.19%	—	—	—
Borrowings from the Capital Markets	1,725	1,427	4,918	1,397	—	—	—	9,467	9,207
Effective Interest Rate	3.10%	4.74%	4.26%	4.79%	—	—	—	—	—
Borrowings from the Government of Canada	96	94	916	3,793	—	—	—	4,899	5,045
Effective Interest Rate	8.73%	8.70%	8.92%	9.14%	—	—	—	—	—
Securities Sold Under Repurchase Agreements	3,044	—	—	—	—	—	—	3,044	2,976
Effective Interest Rate	3.01%	—	—	—	—	—	—	—	—
Securities Sold But Not Yet Purchased	—	—	—	111	—	—	—	111	121
Effective Interest Rate	—	—	—	3.89%	—	—	—	—	—
Derivative-Related Amounts Receive Side Instrument	(2,232)	(203)	(2,673)	(405)	14	—	—	(5,499)	38
Effective Interest Rate	3.26%	4.55%	4.62%	4.10%	—	—	—	—	—
Derivative-Related Amounts Pay Side Instrument	1,811	494	2,798	410	—	—	—	5,513	—
Effective Interest Rate	4.37%	5.09%	4.91%	5.64%	—	—	—	—	—
Other Liabilities and Equity of Canada	—	—	—	—	10,807	682	(6)	11,483	9,787
Total Liabilities and Equity of Canada	4,444	1,812	5,959	5,306	10,821	73,208	(457)	101,093	81,008
On-Balance Sheet Gap	(105)	(208)	3,128	5,437	(8,252)	—	—	—	—
Off-Balance Sheet Financial Instruments									
<i>Eligible for Hedge Accounting</i>									
Pay Side Instruments	—	—	3,204	—	—	72,550	—	75,754	56,869
Effective Interest Rate	—	—	4.40%	—	—	3.89%	—	—	—
Receive Side Instruments	300	—	2,904	—	—	72,550	—	75,754	56,869
Effective Interest Rate	3.36%	—	4.20%	—	—	4.12%	—	—	—
Off-Balance Sheet Gap	300	—	(300)	—	—	—	—	—	—
Total Gap	195	(208)	2,828	5,437	(8,252)	—	—	—	—

(1) On- and Off-Balance Sheet financial instruments are reported based on the earlier

(2) Other includes all Balance Sheet items that are

(3) The effective rates shown represent historical

Some of CMHC's Loans and Investments in Housing Programs contain prepayment and/or repricing options. As CMHC does not have the right to prepay its borrowings from the Government of Canada without penalty, it is exposed to interest rate risk.

Currency Risk

All currency exposure arising from foreign denominated debt issuance is hedged in accordance with Corporate policy.

15. CREDIT RISK

Credit risk is the risk of loss arising from a counterparty's inability to fulfill its contractual obligations. CMHC is exposed to credit risk from various sources directly and indirectly, including directly from its investment, lending and hedging transactions and indirectly from potential claims arising from the Insurance and Securitization Activities.

Credit risk associated with the Corporation's investments and derivatives is managed through the implementation of policies which include counterparty credit limits and diversification of credit risk.

Derivative Financial Instruments

The following table presents the credit exposure of the Corporation's derivatives by term to maturity.

(in millions of dollars)	Replacement value ⁽¹⁾				Potential Future Credit Exposure ⁽²⁾	Total Credit Exposure	
	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years		2005	2004
CMHC							
Interest Rate Swaps	9	15	13	38	219	294	288
Foreign Currency Swaps	—	—	—	—	27	27	—
Total CMHC	9	15	13	38	246	321	288
CHT							
Interest Rate Swaps	18	485	284	7	363	1,157	1,243
Grand Total	27	500	297	45	609	1,478	1,531

(1) Represents the total current replacement value of all outstanding contracts with a positive fair value, before factoring in the impact of master netting agreements.

(2) Represents an add-on that is an estimate of the potential change in the market value of the transaction up to maturity which is calculated in relation to the notional principal of the contracts by applying factors consistent with guidelines issued by the Office of the Superintendent of Financial Institutions.

CMHC limits its credit risk associated with derivative transacting by dealing with counterparties whose credit ratings are in accordance with Department of Finance guidelines, and through the use of master netting agreements for derivatives which have been entered into with all counterparties.

CHT has executed agreements only with counterparties with high credit worthiness and only holds investment instruments rated R-I high or AAA.

Collateral

Collateral agreements provide for the posting of collateral by the counterparty when CMHC's exposure to that entity exceeds a certain threshold. Collateral held by CMHC as at 31 December 2005 totalled \$24 million (2004 — \$13 million).

CHT also mitigates risk through collateralization in the event of counterparties rated less than AA-. Collateral held by CHT as at 31 December 2005 totalled \$212 million (2004 — \$95 million).

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The amounts set out below represent the fair values of financial instruments using the valuation methods and assumptions referred to below. Fair value amounts are designed to represent estimates of the amounts at which instruments could be exchanged in a current transaction between willing parties.

As many of the Corporation's financial instruments lack an available trading market, fair values are based on estimates using present value and other valuation techniques. These techniques are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates which reflect varying degrees of risk. Due to the use of subjective judgment and uncertainties, the fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments. In addition, the calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values.

Interest rate changes are the main cause of changes in the fair value of financial instruments.

(in millions of dollars)	2005											2004		
	CMHC			CHT			Inter-entity Elimination		Consolidated			Consolidated		
	Carrying Value	Fair Value	Fair Value over (under) Carrying Value	Carrying Value	Fair Value	Fair Value over (under) Carrying Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Fair Value over (under) Carrying Value	Carrying Value	Fair Value	Fair Value over (under) Carrying Value
Assets														
Investment in NHA Mortgage-Backed Securities ⁽²⁾	-	-	-	63,931	63,321	(610)	-	-	63,931	63,321	(610)	51,373	51,644	271
Loans and Investments in Housing Programs ⁽²⁾	13,170	15,300	2,130	-	-	-	-	-	13,170	15,300	2,130	13,669	15,959	2,290
Investments ^(1,2)	10,021	10,611	590	1,672	1,683	11	(451)	(449)	11,242	11,845	603	8,637	9,107	470
Cash and Cash Equivalents ^(1,2)	3,967	3,967	-	3,008	3,008	-	-	-	6,975	6,975	-	5,264	5,264	-
Securities Purchased Under Resale Agreements ⁽²⁾	112	112	-	3,928	3,928	-	-	-	4,040	4,040	-	576	576	-
Accrued Interest Receivable ⁽³⁾	336	336	-	669	669	-	(6)	(6)	999	999	-	829	829	-
Accounts Receivable and Other Assets ⁽²⁾	233	233	-	-	-	-	-	-	233	233	-	179	179	-
Due from the Government of Canada ⁽³⁾	212	212	-	-	-	-	-	-	212	212	-	203	203	-
Derivative-Related Amounts ⁽²⁾	74	74	-	-	-	-	-	-	74	74	-	80	80	-
Liabilities														
Canada Mortgage Bonds ⁽²⁾	-	-	-	72,526	72,660	134	(451)	(449)	72,075	72,211	136	53,834	54,991	1,157
Borrowings from the Capital Markets ^(1,2)	9,467	9,514	47	-	-	-	-	-	9,467	9,514	47	9,207	9,769	562
Borrowings from the Government of Canada ⁽²⁾	4,899	7,037	2,138	-	-	-	-	-	4,899	7,037	2,138	5,045	7,056	2,011
Securities Sold Under Repurchase Agreements ⁽²⁾	3,044	3,044	-	-	-	-	-	-	3,044	3,044	-	2,976	2,976	-
Accounts Payable and Other Liabilities ⁽³⁾	959	959	-	1	1	-	-	-	960	960	-	870	870	-
Accrued Interest Payable ⁽³⁾	247	247	-	681	681	-	(6)	(6)	922	922	-	629	629	-
Securities Sold But Not Yet Purchased ⁽³⁾	111	111	-	-	-	-	-	-	111	111	-	121	121	-
Derivative-Related Amounts ⁽²⁾	14	14	-	-	-	-	-	-	14	14	-	38	38	-
Off-Balance Sheet Financial Instruments⁽¹⁾														
Eligible for Hedge Accounting														
Positive Fair Value	-	-	-	-	794	794	-	-	-	794	794	-	941	941
Negative Fair Value	-	363	363	-	51	51	-	-	-	414	414	-	414	414

(1) Fair values are determined by reference to quoted market prices.

(2) Fair values are estimated using net present value analysis.

(3) Fair values are equal to carrying values due to short-term nature.

Methodology and assumptions:

Where quoted market prices are not available, the fair value is estimated by discounting the remaining contractual cash flows at market interest rates currently offered for instruments with similar terms and risks. The fair value of Accrued Interest is disclosed separately.

For Loans and Investments in Housing Programs, the fair value is further adjusted for interest loss recovery.

The total change in fair value for Derivative-Related Amounts during the year was \$18 million (2004 — \$10 million, 2003 — not applicable). This amount is included in Other Income.

17. EMPLOYEE FUTURE BENEFITS

CMHC has a defined benefit pension plan and a supplemental pension plan. CMHC also provides other post-employment benefits.

The accrued benefit asset for the defined benefit pension plan is included in Accounts Receivable and Other Assets. The total accrued benefit liability for the supplemental pension plan and for the other post-employment benefits is included in Accounts Payable and Other Liabilities. The net benefit plan cost recognized is included in Operating Expenses.

Total cash payments for employee future benefits were \$9 million (2004 — \$14 million, 2003 — \$3 million). They include contributions by CMHC to its funded pension plan and payments for the unfunded supplemental pension plan. Also therein are disbursements for other post-employment benefits, which consist of payments to a third-party service provider on behalf of retired employees and payments made directly to employees, their beneficiaries or estates.

Information about the employee future benefits is as follows:

(in millions of dollars)	Pension Plans		Other Post-employment Benefits	
	2005	2004	2005	2004
Accrued Benefit Obligation				
Balance, Beginning of Year	984	947	98	96
Current Service Cost	18	17	2	2
Employees' Contributions	5	4	—	—
Interest Cost	56	57	6	6
Benefits Paid	(51)	(49)	(3)	(3)
Actuarial Loss (Gain)	100	8	19	(3)
Balance, End of Year	1,112	984	122	98
Fair Value of Plan Assets				
Balance, Beginning of Year	1,042	960	—	—
Actual Return on Plan Assets	137	116	—	—
Employer's Contributions	6	11	3	3
Employees' Contributions	5	4	—	—
Benefits Paid	(51)	(49)	(3)	(3)
Balance, End of Year	1,139	1,042	—	—
Funded Status — Plan Surplus (Deficit)	27	58	(122)	(98)
Unamortized Net Actuarial Loss	123	102	33	15
Unamortized Past Service Costs	53	61	—	—
Unamortized Transitional Obligation (Asset)	(150)	(180)	28	31
Accrued Benefit Asset (Liability)	53	41	(61)	(52)

Included in pension plans are amounts in respect of an unfunded supplemental pension plan as follows:

(in millions of dollars)	Supplemental Pension Plan	
	2005	2004
Fair Value of Plan Assets	—	—
Accrued Benefit Obligation	28	27
Funded Status — Plan Deficit	28	27

The plan assets and the accrued benefit obligation were measured for accounting purposes as at 31 December 2005. The most recent actuarial valuation for funding purposes was done 31 December 2005, and the next regularly scheduled valuation will be no later than 31 December 2008. In performing the actuarial valuations of the pension plans and the other post-employment benefits, the following assumptions were adopted:

	2005	2004
Accrued Benefit Obligation:		
Discount rate	5.00%	5.75%
Rate of compensation increase	2.50%	2.75%
Benefit Costs:		
Discount rate	5.75%	6.00%
Rate of compensation increase	2.75%	3.00%
Long-term rate of return on plan assets	5.75%	6.00%
Average remaining service period for Pension Plans	10 years	11 years
Average remaining service period for Other Post-employment Benefits	13 years	13 years

An 8.4% (2004 — 8.8%) increase in health care costs was assumed for 2005, with 0.4% (2004 — 0.4%) average decreases per year thereafter to an ultimate trend rate of 5.1% which is expected to be achieved by 2014.

Sensitivity Analysis:

(in millions of dollars)	Increase (Decrease) in Accrued Benefit Obligation	Increase (Decrease) in Net Benefit Costs
0.5% Increase/Decrease in Discount Rate	(81)/88	(2)/9
0.5% Increase/Decrease in Rate of Compensation Increase	13/(12)	3/(2)
0.5% Increase/Decrease in Long-Term Rate of Return on Plan Assets	—	(6)/6
1.00% Increase/Decrease in Health Care Cost Trend Rates	15/(11)	2/(1)

CMHC's defined benefit costs recognized in the year are as follows:

(in millions of dollars)	Pension Plans			Other Post-employment Benefits		
	2005	2004	2003	2005	2004	2003
Costs Incurred during the Year						
Current Service Cost, Net of Employees' Contributions	18	17	15	2	2	1
Interest Cost	56	57	59	6	6	6
Actual Return on Plan Assets	(137)	(116)	(132)	—	—	—
Actuarial (Gain) Loss on Accrued Benefit Obligation	100	8	44	19	(3)	9
Total Costs before Adjustments	37	(34)	(14)	27	5	16
Adjustments to Recognize the Long-term Nature of Employee Future Benefits Costs						
Difference between Expected and Actual Return on Plan Assets	78	59	75	—	—	—
Difference between Actuarial (Gain) Loss Recognized and Actual Actuarial (Gain) Loss on Accrued Benefit Obligation	(100)	(3)	(34)	(18)	4	(9)
Amortization of Past Service Costs	9	9	9	—	—	—
Amortization of the Transitional Obligation (Asset)	(30)	(30)	(30)	3	3	3
Total Adjustments	(43)	35	20	(15)	7	(6)
Net Benefit Plan Cost (Revenue) Recognized	(6)	1	6	12	12	10

Information on the defined benefit pension plan assets is as follows:

Category of Plan Assets	Percentage of Fair Value of Total Plan Assets	
	2005	2004
Short-term Investments	1.47%	1.62%
Bonds and Debentures	20.25%	19.09%
Equities	64.31%	65.15%
Real Return Securities	4.86%	4.91%
Real Estate	9.11%	9.23%
Total	100.00%	100.00%

At 31 December 2005, fair value of plan assets included \$111 million (2004 — \$94 million) of investments in CMHC related parties, of which \$14 million related to CHT issued CMB (2004 — \$18 million). In 2005, there was a net charge in the amount of \$4 million (2004 — \$3 million) from CMHC to the pension plans.

18. SEGMENTED INFORMATION

As described in Note 1, the Corporation carries out its mandate through the following activities: Insurance, Securitization, Housing Programs, Lending Activity and, as a result of AcG-15, the Corporation has consolidated the activities of Canada Housing Trust. The financial results of each activity are determined using the accounting policies described in Note 2.

The Lending Activity includes certain Corporate items that are not allocated to each activity. The Housing Program activity includes reimbursements to the Lending Activity as described in Note 19. These reimbursements are not eliminated in the table below.

	Insurance		Securitization		Housing Programs		Lending		Canada Housing Trust		Elimination of Inter-Segment Items		Total	
(in millions of dollars)	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
REVENUES														
Income from NHA MBS	—	—	—	—	—	—	—	—	2,458	1,838	—	—	2,458	1,838
Interest Earned on Loans and Investments in Housing Programs	—	—	—	—	—	—	864	969	—	—	—	—	864	969
Investment Income	468	397	16	13	—	—	45	42	144	52	(19)	(25)	654	479
Premiums, Fees, Parliamentary Appropriations and Other Income	1,178	1,076	48	41	2,076	2,107	22	11	73	80	(39)	(41)	3,358	3,274
	1,646	1,473	64	54	2,076	2,107	931	1,022	2,675	1,970	(58)	(66)	7,334	6,560
EXPENSES														
Interest Expense	—	—	—	—	—	—	898	939	2,596	1,885	(19)	(25)	3,475	2,799
Operating Expenses	137	136	5	5	103	101	18	19	79	85	(39)	(41)	303	305
Housing Programs and Net Claims	119	51	—	—	1,973	2,006	—	—	—	—	—	—	2,092	2,057
	256	187	5	5	2,076	2,107	916	958	2,675	1,970	(58)	(66)	5,870	5,161
Income Taxes	439	411	17	17	—	—	6	21	—	—	—	—	462	449
NET INCOME	951	875	42	32	—	—	9	43	—	—	—	—	1,002	950
ASSETS														
Investment in NHA MBS	—	—	—	—	—	—	—	—	63,931	51,373	—	—	63,931	51,373
Direct Lending Loans	—	—	—	—	—	—	8,354	8,556	—	—	—	—	8,354	8,556
Other Loans and Investments in Housing Programs	—	—	—	—	—	—	4,816	5,113	—	—	—	—	4,816	5,113
Investments	8,741	7,707	314	262	—	—	966	630	1,672	677	(451)	(639)	11,242	8,637
Other Assets	3,393	3,171	36	18	—	—	1,746	1,244	7,605	2,925	(30)	(29)	12,750	7,329
	12,134	10,878	350	280	—	—	15,882	15,543	73,208	54,975	(481)	(668)	101,093	81,008
LIABILITIES														
Canada Mortgage Bonds	—	—	—	—	—	—	—	—	72,526	54,468	(451)	(634)	72,075	53,834
Borrowings from the Capital Markets	—	—	—	—	—	—	9,467	9,212	—	—	—	(5)	9,467	9,207
Borrowings from the Government of Canada	—	—	—	—	—	—	4,899	5,045	—	—	—	—	4,899	5,045
Unearned Premiums and Fees	4,548	4,227	146	128	—	—	—	—	—	—	—	—	4,694	4,355
Other Liabilities	3,523	3,539	7	(3)	—	—	1,348	1,127	682	507	(30)	(29)	5,530	5,141
	8,071	7,766	153	125	—	—	15,714	15,384	73,208	54,975	(481)	(668)	96,665	77,582
EQUITY	4,063	3,112	197	155	—	—	168	159	—	—	—	—	4,428	3,426

19. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. CMHC enters into transactions with certain of these entities in the normal course of business. All material related party transactions are either disclosed below or in relevant notes.

CMHC receives reimbursements from the Government of Canada in the form of appropriations for the following:

- Payments made to support housing programs;
- Interest rate losses resulting from certain loans containing interest rate clauses lower than the interest cost on the related borrowings;
- Net operating losses on certain investments in housing programs and real estate properties;
- Net default losses on certain loans and net disposal losses on certain investments in housing programs and real estate properties; and
- Operating costs associated with the delivery of housing programs.

The following table summarizes these expenses.

(in millions of dollars)	2005	2004	2003
Housing Program Payments	1,916	1,904	1,860
Interest Rate Losses	53	97	99
Net Operating Losses	3	4	11
Net Default and Disposal Losses	1	1	2
Total Housing Program Expenses	1,973	2,006	1,972
Operating Costs	103	101	97
Total Appropriations	2,076	2,107	2,069

The reimbursement for interest rate losses is also included in Interest Earned on Loans and Investments in Housing Program. Net operating, default and disposal losses are recorded as Due from the Government of Canada and Housing Program Expenses on an accrual basis. The reimbursement of operating costs is shown in the Consolidated Income Statement as Parliamentary Appropriations for Operating Expenses.

CMHC pays Government of Canada Fees which are incurred in recognition of the Government's financial backing for the Insurance and Securitization Activities and are recorded in Other Income at the exchange amount, which is the amount agreed to by the related parties. In 2005, the fee amounted to \$3 million (2004 — \$21 million, 2003 — \$29 million).

In exchange for real estate transferred to Canada Lands Company CLC Limited in 1998 and 1999, CMHC holds notes receivable of \$43 million (2004 — \$41 million) including accrued interest at 7.35% due by 2014.

20. COMMITMENTS AND CONTINGENT LIABILITIES

- a) Commitments outstanding for Loans and Investments in Housing Programs, net of forgiveness, amounted to \$66 million at 31 December 2005 (2004 — \$48 million) and are normally advanced within a two-year period.
- b) Commitments outstanding for advances to insured assisted housing projects in financial difficulty amounted to \$52 million at 31 December 2005 (2004 — \$56 million) and are normally advanced within a ten-year period.
- c) Total remaining contractual financial obligations for Housing Programs extend for periods up to 34 years.

Estimated obligations are as follows:

(in millions of dollars)	2006	2007	2008	2009	2010	2011 and Thereafter
	1,769	1,725	1,721	1,717	1,704	21,347

- d) In addition to the lines of credit disclosed in Note 7, at 31 December 2005 CMHC had a \$55 million (2004 — \$40 million) letter of credit outstanding.
- e) There are legal claims of \$11 million (2004 — \$14 million) against CMHC. Due to the uncertainty of the outcome of these claims, no provision for loss has been recorded.

21. COMPARATIVE FIGURES

Comparative figures have been reclassified to conform to the 2005 financial statement presentation.

GLOSSARY AND CORPORATE LISTING

Glossary of Performance Measures

Glossary of Terms

Corporate Listing

GLOSSARY & CONTACT INFORMATION

GLOSSARY OF PERFORMANCE MEASURES

CORPORATE MEASURE	DEFINITION
Affordable Housing Program expenditures (\$ millions)	Federal expenditures incurred under the \$1 billion Affordable Housing Initiative. The federal funding is matched by the provinces, territories and others, and the provinces/territories deliver the programs.
Annual direct lending — new business (\$ millions)	Loans provided to social housing sponsors at break-even levels. These loans are funded from borrowings from capital markets. New business arises as existing or new projects are financed with CMHC for the first time.
Annual direct lending — subsequent renewals (\$ millions)	Loans provided to social housing sponsors at break-even levels. These loans are funded from capital markets. Subsequent renewals consist of projects previously funded under the Direct Lending Initiative and renewing within the initiative.
Annual securities guaranteed (\$ millions)	Mortgage-Backed Securities (MBS) issued directly into capital markets plus Canada Mortgage Bonds issued for the year.
Attendees at Housing Outlook Conferences who found them useful (%)	Percentage of attendees at Housing Outlook Conferences and Seminars who rated the event as either useful or very useful (4 or 5 on a 5-point scale) on an independent market research survey administered following the event.
Delivery of on-reserve programs and services through First Nation or Aboriginal organizations (%)	<p>Percentage of CMHC Aboriginal programs and services provided by Aboriginal contractors or organizations.</p> <p>Calculated as the average of the following:</p> <ul style="list-style-type: none"> a) % of RRAP accounts delivered by Aboriginal organizations based on units; b) % of Section 95 commitment inspections and Physical Condition Reviews carried out under the Native Inspection Services Initiative based on units; c) % of Aboriginal Capacity Development service contract dollars paid to Aboriginal service providers.
Estimated number of households assisted	The estimated number of households who, in 2005, benefited from units delivered under various social housing programs, some of which date back to the early 1950's.
Forecast accuracy for housing starts	The percentage difference between CMHC's initial starts forecast for Canada and the actual annual starts for the same year.
Information transfer seminar attendees who found them useful (%)	Percentage of attendees who rated the workshop as useful or very useful (4 or 5 on a 5-point scale) on an independent market research survey administered following the event. The workshops included in the calculation are: Build & Renovate to Avoid Mold, Sustainable Planning for Small Communities, Faculty Summits (Design, Planners, Disabilities).
Mortgage insurance approvals of public-private partnership units (units)	<p>Affordable housing projects facilitated through the Partnership Centre that have accessed financing facilitated by CMHC's mortgage insurance with lower mortgage loan insurance premiums and more flexible underwriting criteria.</p> <p>Affordable housing projects are those that rent more than half the units below the 80th percentile of rental prices.</p>
On-reserve non-profit new commitments (units)	Number of new or renovated housing units approved under the non-profit rental program for First Nation communities.
Operating budget spent on information technology (%)	Ratio of information technology expenses to total planned operating expenses

CORPORATE MEASURE	DEFINITION
Overall satisfaction rate of key export clients (%)	Percent of CMHC International's clients who are satisfied with export advice and service they receive from CMHC trade consultants, as derived from a survey of CMHC's key export clients (150–200) conducted by an independent consultant. Satisfied clients rank 4 or 5 on a scale of 1 to 5 for overall satisfaction.
Percentage of overall awareness of CMHC	<p>Percentage of consumers able to recognize CMHC as Canada's national housing agency.</p> <p>Awareness is measured through telephone surveys conducted in each of the six major Census Metropolitan Areas targeted by CMHC's consumer advertising campaign. Within each of the Census Metropolitan Areas, 500 interviews are completed among consumers involved in the home-buying and/or renovation process. Awareness tracking surveys are completed within one week following the completion of the nationally planned consumer advertising campaigns. Overall awareness includes those consumers who were prompted during the survey with the following question: "CMHC, also known as Canada Mortgage and Housing Corporation, is Canada's national housing agency. Have you ever heard of CMHC?"</p>
Percentage of unaided awareness of CMHC	<p>Percentage of consumers able to name, without prompting, CMHC as the federal government agency responsible for providing housing related information to Canadians.</p> <p>Unaided awareness is measured through a telephone survey conducted in each of the six major Census Metropolitan Areas targeted by the consumer advertising campaign. Within each of the Census Metropolitan Areas, 500 interviews are completed among consumers involved in the home-buying and/or renovation process. Awareness tracking surveys are completed within one week following the completion of the nationally planned consumer advertising campaigns.</p>
Public–Private Partnership units facilitated	<p>Public–Private Partnership projects are those which have been provided with seed funding or interest-free proposal development funding loans, and/or significant CMHC Partnership staff support to assist in the development of affordable housing. Includes but is not limited to projects financed with CMHC insured loans.</p> <p>The calculation is based on the national total number of affordable housing units and beds contained in Public–Private Partnership projects.</p>
Ranking of housing start forecast accuracy among forecasters	The ranking of CMHC's annual housing starts forecast accuracy amongst other industry forecasters, where 1 is the most accurate forecast.
Recipients of market analysis publications who found them useful (%)	Percentage of recipients of market analysis publications who rated the publications as either useful or very useful (4 or 5 on a 5-point scale) during an independent market research study conducted in 2005.
Recipients of newly-published About Your House fact sheets who found them useful (%)	Percentage of clients who ordered an About Your House publication from the CMHC Order Desk who rated the fact sheets as useful or very useful (4 or 5 on a 5-point scale) during a phone survey.
Recipients of newly-published Research Highlights who found them useful (%)	Percentage of clients who are on the Research Highlight Technical and Social-Economic series distribution lists who rated the product series as useful or very useful (4 or 5 on a 5-point scale) during a phone survey.
Renovation Programs (units)	Units committed under CMHC's suite of renovation programs including the Residential Rehabilitation Assistance Program, Emergency Repair Program, Housing Adaptations for Seniors' Independence program, and Shelter Enhancement Program.

CORPORATE MEASURE	DEFINITION
Retention rate of recent recruits (%)	Percentage of regular employees hired during the reporting year who remained in CMHC's service at the end of that year.
Revenue from selling CMHC's expertise abroad (in millions of dollars)	Revenues earned from consulting services in the area of housing and housing finance provided to international clients.
Short-term profitability: Operating expense ratio for mortgage insurance (%)	The ratio of total costs to total premiums earned and fees. $(\text{Issuance cost} + \text{other administrative cost} / (\text{earned premiums} + \text{fees}) * 100$
Short-term profitability: Operating expense ratio for securitization (%)	The ratio of total operating expenses as a percentage of operating revenue. $(\text{Operating expenses} + \text{Canada Mortgage Bond related expenses}) / (\text{guarantee fees} + \text{application fees} + \text{Financial Services Advisor fees collected from Canada Housing Trust}) * 100$
Technology reliability index for key systems (%)	Weighted average of monthly availability of the key corporate systems.
Total mortgage insurance approved (units)	Total mortgage insurance applications approved (units).
Total mortgage insurance units approved to address less served markets and/or support specific government priorities (%)	Percentage of total mortgage insurance approvals in rural and northern areas, in single industry towns, on reserve, for rental accommodation (including nursing and retirement homes), for energy-efficient homes and for loans on chattels.
Training investment per staff year (\$)	Total training dollars (continuous learning, language training & corporate priorities) spent per staff year.
Value of CMHC-facilitated sales reported by key clients (\$ millions)	The value of international sales by CMHC's export clients that the clients themselves attribute to CMHC facilitation/assistance.

GLOSSARY OF TERMS

Aboriginal Capacity Development — To facilitate, by sharing CMHC knowledge and experience with Aboriginal groups, the development of appropriate infrastructure and governance capability for Aboriginal Peoples to run their own housing systems and ensure sustainability of the final product.

Benchmark Index — A benchmark provides an objective point of reference for performance measurement. CMHC's benchmarks for the insurance and securitization investment portfolios are the Scotia Capital Universe Bond Index (fixed income portfolios); the Scotia Capital 91-day Treasury-Bill Index (money market portfolios); the total return of the Standard and Poor's/Toronto Stock Exchange (S&P TSX) Composite Index (equity portfolios); the total return of the Standard & Poor's 500 (for the US equity portfolios); and the total return of the Morgan Stanley Capital International (MSCI) — Europe, Australasia, and Far East Index (for the international equity portfolios).

Brownfield redevelopment — Redevelopment/adaptive reuse of contaminated sites and buildings previously used for industrial or commercial purposes.

Canadian Centre for Public-Private Partnerships in Housing (CCPPPH) — A team of housing experts operating within CMHC which provides information, guidance and other tools to facilitate the production of affordable housing by non-profit organizations, private sector proponents and others.

Canada Housing Trust (CHT) — A special purpose trust created to issue Canada Mortgage Bonds.

Canada Mortgage Bonds (CMB) — A guaranteed semi-annual coupon, bullet-maturity (repayment of principal upon maturity) bond product issued by a special purpose trust, known as Canada Housing Trust (CHT).

Commercial Paper — A type of corporate short-term borrowing with a term to maturity of up to one year.

Compliance — A term used in reference to conformity to established policies, which define the risk tolerance of the Corporation.

Convexity — The degree of curvature (or convex) shape of the price/yield relationship for a security and defines the degree to which a security's price changes as yields change.

Credit Rating — Credit ratings are current opinions of the creditworthiness of an obligor with respect to a specific financial obligation. It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated.

Derivatives — A financial derivative is an instrument whose value is derived from price movements in one or more underlying securities, interest rates, currencies, indices or other instruments or derivatives.

Direct Lending — Loans provided to social housing sponsors at break-even levels. These loans are funded through borrowings from capital markets.

Duration — A measure of the average time interval required for an expected stream of cashflows to repay the original investment (i.e., shorter duration means faster recovery of the original investment). It is also a measure of the sensitivity of fixed income securities prices in relation to changes in interest rates.

Dynamic Financial Analysis (DFA) — A systematic and holistic approach to financial modeling and sensitivity analysis for assets and liabilities that projects financial results under a variety of possible scenarios, showing how outcomes might be affected by changing business and economic conditions.

Emergency Repair Program (ERP) — This CMHC program offers financial assistance to low-income homeowners or occupants in rural areas to undertake emergency repairs required for the continued safe occupancy of their house.

Housing Adaptations for Seniors' Independence (HASI) — This CMHC initiative assists low-income seniors who have difficulties with daily living activities in the home by providing financial assistance to carry out minor home adaptations.

Investment and Hedging Exposure — The fair value of the Corporation's financial investments (including fixed income and equity securities) and hedging positions. In relation to the Corporation's repurchase, reverse repurchase, and derivatives transactions, exposures are marked-to-market and include only positive amounts (net of collateral under respective agreements) on a counterparty basis.

Mark-to-Market — The valuing of financial instruments at market trading prices.

National Housing Act (NHA) — An Act to promote the construction of new houses, the repair and modernization of existing houses, and the improvement of housing and living conditions. CMHC was established to carry out the provisions of the NHA.

National Housing Act Mortgage-Backed Securities (NHA MBS or MBS) — An undivided interest in a pool (group) of insured residential mortgages. These financial instruments are secured by the value of underlying real estate and credit enhanced by mortgage insurance.

Residential Rehabilitation Assistance Program (RRAP) — A CMHC program offering financial assistance to low-income households on- and off-reserve to enable them to repair their dwellings. Types of assistance include Homeowner RRAP, Disabled Homeowner RRAP, Rental and Rooming House RRAP, RRAP Conversion and On-Reserve RRAP.

Repurchase and Reverse Repurchase Activity — Transactions in which the Corporation buys securities with a commitment to resell them (securities purchased under resale agreements), or sells securities with a commitment to repurchase them (securities sold under repurchase agreements).

Shelter Enhancement Program (SEP) — This CMHC program provides financial assistance to repair, rehabilitate and improve existing shelters for women, children and youth who are victims of family violence. The program also assists in the acquisition or construction of new shelters and second stage housing.

Securitization — The process of converting loans or other assets into financial securities which are sold into the capital markets providing investors with an interest in the pool of loans or assets underlying the security.

Swap — A form of derivative, an interest rate swap is a contractual agreement between two parties to exchange a series of cashflows, generally exchanging fixed and floating rate interest payments based on a notional principal value in a single currency. In the case of a currency swap, principal amounts and fixed and floating rate interest payments are exchanged in different currencies. Swaps are generally used to reduce or eliminate interest rate risk or foreign exchange risk.

Value of a Portfolio — The concept of value and how it can change under various scenarios is central to the discussion of risk management. While there are different methods for obtaining estimates of the value of a portfolio, the meaning typically refers to the sum of the projected future cash flows of a portfolio adjusted to today's value by discounting at appropriate rates.

Volatility — A measure of the spread or dispersion of observations around the average. Statistically, volatility is defined as the standard deviation of a set of observations.

CORPORATE LISTING

(as at 31 December 2005)

CMHC's National Office is located in Ottawa. The Corporation also has five Business Centres located in the following regions across Canada: Atlantic; Quebec; Ontario; Prairie and Territories; and British Columbia. CMHC also has points of service or corporate representatives in smaller communities and cities throughout the country.

National Office, the regional Business Centres and the points of service work in close cooperation to provide Canadians with front-line access to CMHC programs, products and services.

CMHC is also responsible for the management and administration of Granville Island on behalf of the Government of Canada, for which CMHC receives a management fee. Owned by the federal government, the island is a cultural, recreational and commercial development in the heart of Vancouver. It is expected to be commercially viable with the majority of revenue being rental income. Capital additions are funded through operations, grants and contributions.

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(au 31 décembre 2005)

PROFIL DE
LA SOCIÉTÉ

Le Bureau national de la SCHL est situé à Ottawa. La Société possède également un centre d'affaires dans chacune des cinq régions suivantes : Atlantique; Québec; Ontario; Prairies et territoires; Colombie-Britannique. Elle dispose également, à l'échelle du pays, de points de service ou de représentants dans des collectivités et des villes de plus petite envergure.

Le Bureau national, les centres d'affaires régionaux et les points de service travaillent de concert en vue d'offrir aux Canadiens un accès de première ligne aux programmes, aux produits et aux services de la SCHL.

La SCHL est chargée, contre rémunération, de gérer et d'administrer Granville Island pour le compte du gouvernement du Canada. Propriété de ce dernier, l'île est un espace à vocation culturelle, récréative et commerciale situé en plein cœur de Vancouver. On s'attend à ce que l'île devienne viable commercialement, compte tenu des revenus, essentiellement locaux, qu'elle génère. Les acquisitions d'immobilisations sont financées par les activités d'exploitation ainsi que par des subventions et des dons.

Programme de réparations d'urgence (PRU) — Ce programme de la SCHL offre aux propriétaires-occupants ou aux locataires à faible revenu des régions rurales une aide requises pour qu'ils puissent continuer à vivre dans leur habitation en toute sécurité.

Réaménagement de terrains contaminés — Remise en valeur ou réutilisation adaptée de bâtiments ou de sites commerciaux.

Risque lié aux opérations de placement et de couverture — Juste valeur des placements (y compris les titres à revenu fixe et les actions) et des couvertures de la Société. En ce qui concerne les conventions de rachat ou de revente et les opérations sur instruments dérivés de la Société, les risques sont évalués à la valeur de marché et ne peuvent correspondre qu'à des montants positifs (déduction faite des garanties aux termes des conventions ou opérations) en fonction de

Swap — Le swap est une forme d'instrument dérivé. Un swap de taux d'intérêt est une entente contractuelle entre deux parties portant sur l'échange d'une série de flux de paiements Les contreparties échangent généralement des paiements d'intérêts à taux fixe et à taux variable fondés sur un montant nominal exprimé en une seule devise. Dans le cas des swaps de devises, des montants de principal et des paiements d'intérêts à taux fixe et variable sont échangés dans des devises différentes. Habituellement, les swaps servent à réduire ou à éliminer le risque de taux d'intérêt ou le risque de change.

Titres hypothécaires créés en vertu de la Loi nationale sur l'habitation (TH LNH) — Les titres hypothécaires représentent un intérêt indivis dans un bloc (groupe) de créances hypothécaires résidentielles assurées. Ces instruments financiers sont garantis par la valeur du bien immobilier sous-jacent, et leur cote de crédit est bonifiée par l'assurance prêt hypothécaire.

Titrisation — Processus de conversion de créances ou d'autres actifs en titres qui sont vendus sur les marchés de capitaux et qui donnent aux investisseurs une participation dans le bloc de créances ou d'autres actifs sur lesquels sont fondés les titres vendus.

Valeur — Le concept de valeur et la façon dont celle-ci peut varier selon divers scénarios sont primordiaux pour l'analyse de la gestion des risques. Même s'il existe diverses méthodes de calcul des estimations de la valeur d'un portefeuille, la valeur indiquée se rapporte généralement à la somme des flux de trésorerie futurs d'un portefeuille, redressée pour tenir compte de sa valeur actuelle, calculée au moyen d'un taux d'actualisation approprié.

Volatilité — La volatilité est une mesure de l'écart d'une série de valeurs observées par rapport à la moyenne. En statistique, la volatilité s'entend de l'écart type d'une série de valeurs observées.

Analyse financière dynamique (AFD) — Approche systématique globale de la modélisation financière et de l'analyse de sensibilité de l'actif et du passif, qui consiste à examiner les résultats financiers selon divers scénarios possibles afin de déterminer comment ceux-ci peuvent varier en fonction de l'évolution de la conjoncture économique.

Centre canadien du partenariat public-privé dans l'habitation (CCPPP) — Équipe de spécialistes de l'habitation qui, au sein de la SCHL, fournit des informations, des conseils et des outils en vue de faciliter la production de logements abordables par des organismes sans but lucratif, des proposant du secteur privé et d'autres intervenants.

Conformité — La conformité est un terme utilisé relativement à des politiques établies qui définissent la tolérance au risque de la Société.

Conventions de rachat et de reverse — Il s'agit d'opérations par lesquelles la Société achète des titres et convient simultanément de les revendre (titres achetées en vertu de conventions de reverse), ou vend des titres et s'engage à les racheter (titres vendus en vertu de conventions de rachat).

Convexité — Courbure de la ligne (arrondie vers l'extérieur) représentant l'évolution du cours d'un titre par rapport à la fluctuation des taux d'intérêt.

Cote de crédit — Les cotes de crédit sont le reflet d'opinions courantes sur la solvabilité d'un débiteur concernant une obligation financière particulière. Elles tiennent compte de la solvabilité des cautions, des assureurs ou de toute autre forme d'amélioration de la solvabilité concernant l'obligation en question, ainsi que de la devise dans laquelle celle-ci est libellée.

Développement du potentiel des Autochtones — En transmettant les connaissances et l'expérience de la SCHL aux groupes autochtones, ce programme vise à faciliter la création d'infrastructures adéquates et la formation des Autochtones de façon à ce qu'ils puissent prendre en charge la gestion de leurs habitations et en assurer la durabilité.

Durée — La durée est une mesure du temps moyen nécessaire pour qu'une série de flux de trésorerie prévus suffise à rembourser le placement original (p. ex. : une durée plus courte signifie que le placement original est recouvert plus rapidement) ainsi que de la sensibilité du cours des titres à revenu fixe aux fluctuations des taux d'intérêt.

Évaluation à la valeur du marché — Ajustement de la valeur d'un instrument financier en fonction du taux ou du cours du marché à la date de l'ajustement.

Fiducie du Canada pour l'habitation (FCH) — Entité à détenteurs de droits variables qui émet les Obligations hypothécaires du Canada.

Indice repère — Un repère fournit un point de référence objectif pour mesurer le rendement. Les indices repères utilisés par la SCHL pour les portefeuilles de placements se rapportant aux activités d'assurance et de titrisation sont l'indice obligataire universel Scotia Capitaux (titres à revenu fixe), l'indice des bons du Trésor à 91 jours Scotia Capitaux (instruments du marché monétaire), l'indice composé S&P/TSX (actions), l'indice S&P 500 (actions américaines) et l'indice MSCI EAFE (actions internationales).

Logements adaptés : aînés autonomes (LAA) — Ce programme de la SCHL accorde une aide financière aux aînés à faible revenu pour leur permettre d'effectuer des adaptations mineures à leur logement, de manière à faciliter leurs activités quotidiennes.

Loi nationale sur l'habitation (LNH) — Cette loi a pour objet de favoriser la construction résidentielle, la réparation et la modernisation des habitations existantes et l'amélioration des conditions de logement et de vie. La SCHL a été constituée en vue d'exécuter les dispositions de la LNH.

Obligations hypothécaires du Canada (OHC) — Obligations garanties à coupons semestriels, remboursables uniquement à l'échéance, émises par une entité à détenteurs de droits variables, connue sous le nom de Fiducie du Canada pour l'habitation (FCH).

Papier commercial — Type d'emprunt à court terme contracté par les entreprises pour une durée ne dépassant pas un an.

Prêts directs — Prêts consentis à un taux d'équilibre, à des groupes qui parraient des ensembles de logements sociaux. Ces prêts sont financés au moyen d'emprunts sur les marchés de capitaux.

Programme d'aide à la remise en état des logements (PAREL) — Offre tant à l'intérieur qu'à l'extérieur des réserves, ce programme de la SCHL fournit une aide financière aux ménages à faible revenu afin qu'ils puissent réparer leur logement. Le PAREL comporte plusieurs volets : PAREL pour propriétaires-occupants, PAREL pour personnes handicapées (propriétaires-occupants), PAREL locatif et maisons de chambres, PAREL conversion et PAREL dans les réserves.

Programme d'amélioration des maisons d'hébergement (PAMH) — Ce programme de la SCHL offre une aide financière pour réparer, remettre en état et améliorer les maisons d'hébergement existantes destinées aux femmes, aux enfants et aux jeunes qui sont victimes de violence familiale. Il vise également à faciliter l'acquisition ou la construction de nouvelles maisons d'hébergement et maisons de transition.

Prêts directs renouvelés
annuellement (M\$)

Prêts consentis à un taux d'équilibre, à des groupes qui parrainent des ensembles de logements sociaux. Ces prêts sont financés sur les marchés de capitaux. On entend par prêts renouvelés les prêts directs déjà consentis qui, à l'échéance, sont renouvelés dans le

Programmes de rénovation
(nbre de logements)

Logements faisant l'objet d'un engagement dans le cadre des divers programmes d'aide au logement de la SCHL. Programme d'aide à la remise en état des logements, Programme de réparations d'urgence, Logements adaptés : aînés autonomes, et Programme d'amélioration des maisons d'hébergement.

Rang occupé par la SCHL au
classement des prévisionnistes
pour ce qui est de l'exactitude des
prévisions relatives aux mises en
chantier d'habitations

Classement de la SCHL pour l'exactitude de ses prévisions relatives aux mises en chantier d'habitations, par rapport aux autres prévisionnistes du milieu, le chiffre 1 représentant le degré d'exactitude le plus élevé.

Rentabilité à court terme —
Pourcentage des frais d'exploitation
se rapportant à l'assurance prêt
hypothécaire

Rapport entre le montant total des frais et celui des primes acquises et des droits.
(Coûts d'ouverture de dossier + autres frais administratifs), divisés par
(primes acquises + droits) x 100

Rentabilité à court terme —
Pourcentage des frais d'exploitation
se rapportant à la titrisation

Total des frais d'exploitation en pourcentage du revenu d'exploitation.
(Frais d'exploitation + frais relatifs aux Obligations hypothécaires du Canada), divisés par
(droits de garantie + droits de demande + frais du conseiller en services financiers payés
par la Fiducie du Canada pour l'habitation) x 100

Revenus tirés de la vente du savoir-
faire de la SCHL à l'étranger (M\$)

Revenus tirés des services de consultation à l'étranger, dans les domaines du logement et du financement de l'habitation.

Somme consacrée à la formation,
par année-personne (\$)

Montant total des frais de formation (formation continue, formation linguistique et cours axés sur les priorités de la Société), par année-personne.

Taux de maintien en poste des
récentes recrues

Pourcentage des employés permanents embauchés durant l'année qui, à la clôture de l'exercice, sont demeurés au service de la SCHL.

Taux global de satisfaction des
principaux clients exportateurs

Pourcentage des clients de SCHL International satisfaits des conseils et des services obtenus des conseillers en commerce extérieur de la Société, d'après le sondage effectué auprès des principaux clients exportateurs (de 150 à 200) par un consultant externe. Sur une échelle de 1 à 5, les clients ont attribué une note de 4 ou 5 en matière de satisfaction globale.

Valeur des titres garantis par
année (M\$)

Titres hypothécaires (TH) émis directement sur les marchés de capitaux, ainsi que les Obligations hypothécaires du Canada émises durant l'année.

Valeur des ventes facilitées par
la SCHL, selon les principaux
clients (M\$)

Chiffre d'affaires à l'exportation que les clients de la SCHL attribuent à l'aide ou à l'intervention de cette dernière.

Nouveaux engagements —	Nombre de logements neufs ou renouvelés approuvés dans le cadre du Programme de logement locatif sans but lucratif destiné aux collectivités des Premières nations.
Nouveaux prêts assurés	Nombre total de demandes d'assurance prêt hypothécaire approuvées (nombre de logements)
Nouveaux prêts directs consentis	Prêts consentis à un taux d'équilibre, à des groupes qui parraient des ensembles de logements sociaux. Ces prêts sont financés au moyen d'emprunts sur les marchés de capitaux. On entend par nouveaux prêts les prêts consentis par la SCHL pour la première fois, à l'égard d'ensembles d'habitation nouveaux ou existants.
Part du budget de fonctionnement affectée aux technologies de l'information	Pourcentage des dépenses relatives aux technologies de l'information par rapport au total des frais d'exploitation prévus.
Pourcentage des destinataires de publications du Centre d'analyse de marché, qui les ont trouvées utiles	Pourcentage des destinataires de publications du Centre d'analyse de marché qui ont qualifié ces publications d'utiles ou de très utiles (note de 4 ou 5, sur une échelle de 1 à 5), d'après un sondage indépendant effectué en 2005.
Pourcentage des destinataires de feuillets documentaires de la série « Votre maison » nouvellement publiés, qui les ont trouvés utiles	Pourcentage des clients ayant commandé les feuillets documentaires de la série « Votre maison » auprès du Bureau des commandes de la SCHL et qui les ont qualifiés d'utiles ou de très utiles (note de 4 ou 5, sur une échelle de 1 à 5), d'après un sondage téléphonique.
Pourcentage des destinataires des rapports de la collection « Le Point en recherche » nouvellement publiés, qui les ont trouvés utiles	Pourcentage des clients inscrits sur les listes de distribution des rapports d'ordre technique et socio-économique de la collection « Le Point en recherche » qui ont qualifié ces publications d'utiles ou de très utiles (note de 4 ou 5, sur une échelle de 1 à 5), d'après un sondage téléphonique.
Pourcentage des nouveaux prêts assurés (n ^{bre} de logements) en vue de desservir des marchés négligés ou d'appuyer certaines priorités du gouvernement	Pourcentage des nouveaux prêts assurés (n ^{bre} de logements) en vue d'hebergement et des maisons de retraite), d'habitations économiques et de logements transportables, situés dans des régions rurales et nordiques, dans des villes monoindustrielles et dans des réserves.
Pourcentage des participants aux conférences sur les perspectives du marché de l'habitation, qui les ont trouvées utiles	Pourcentage des participants ayant qualifié les conférences sur les perspectives du marché de l'habitation et les séminaires d'utiles ou de très utiles (note de 4 ou 5, sur une échelle de 1 à 5), d'après un sondage indépendant effectué après les conférences et les séminaires en question.
Pourcentage des participants aux séminaires d'information, qui les ont trouvés utiles	Pourcentage de participants ayant qualifié les séminaires d'utiles ou de très utiles (note de 4 ou 5, sur une échelle de 1 à 5), d'après un sondage indépendant effectué après la tenue des séminaires en question, qui portaient sur les sujets suivants : prévention de la moisissure dans la construction et la rénovation; planification et développement durable pour les petites collectivités; sommets des professeurs d'architecture (conception, urbanisme, intégration des personnes handicapées).
Pourcentage des programmes et des services mis en œuvre dans les réserves par l'entremise d'organismes des Premières nations ou d'organismes autochtones	Pourcentage des programmes et des services — visant les Autochtones — mis en œuvre par des entrepreneurs ou des organismes autochtones. Correspond à la moyenne de ce qui suit : a) Pourcentage des comptes PARCL pris en main par des organismes autochtones, selon le nombre de logements; b) Pourcentage des inspections et des évaluations de l'état des lieux effectuées, au titre d'engagements en vertu de l'article 95, dans le cadre de l'initiative des services d'inspection par des Autochtones, selon le nombre de logements; c) Pourcentage de la rémunération versée, au titre de contrats de service, aux prestataires de services autochtones dans le cadre du développement du potentiel des Autochtones.

Demandes d'assurance approuvées pour des logements abordables créés grâce à un partenariat public-privé (nbre de logements)	Ensembles de logements abordables produits dans le cadre d'un partenariat public-privé, grâce à un prêt assuré par la SCHL bénéficiant d'une prime réduite et de critères de souscription plus souples.
Dépenses relatives à l'initiative en matière de logement abordable (M\$)	Dépenses effectuées par le fédéral dans le cadre de l'initiative en matière de logement abordable (enveloppe de un milliard de dollars). La contribution fédérale est assortie d'une contribution équivalente des provinces, des territoires et d'autres sources.
Exactitude des prévisions relatives aux mises en chantier d'habitations	Écart, exprimé en pourcentage, entre le nombre de mises en chantier initialement prévu par la SCHL, au Canada, au cours d'une année donnée et leur nombre réel.
Indice de fiabilité technologique	Pourcentage moyen pondéré de la disponibilité mensuelle des principaux systèmes de la Société.
Nombre de logements créés grâce à un partenariat public-privé	Par ensembles d'habitation créés grâce à un partenariat public-privé, on entend ceux qui ont bénéficié d'un financement initial ou d'un prêt sans intérêt, pour la préparation de projets, et/ou d'un soutien important de la part du personnel du Centre canadien du partenariat public-privé de la SCHL, en vue de permettre la production de logements abordables. Cela comprend notamment les ensembles d'habitation financés grâce à un prêt assuré par la SCHL.
Nombre estimatif de ménages aidés	Le chiffre se fonde sur le nombre total de logements abordables et de chambres situés dans des ensembles d'habitation issus d'un partenariat public-privé.
Notoriété globale de la SCHL	Pourcentage de consommateurs qui savent que la SCHL est l'organisme national responsable de l'habitation.
Notoriété spontanée de la SCHL	Pourcentage des consommateurs capables de nommer, sans aide, la SCHL comme étant l'organisme fédéral chargé de fournir aux Canadiens des informations pertinentes d'habitation.

GLOSSAIRE ET PROFIL DE LA SOCIÉTÉ

Liste des mesures de rendement

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20. ENGAGEMENTS ET PASSIFS ÉVENTUELS

des prêts et investissements se rapportant aux programmes de logement, déduction à 66 millions de dollars au 31 décembre 2005 (48 millions de dollars en 2004); ces engagements sont normalement versés dans un délai de deux ans

b) Au 31 décembre 2005, les engagements en cours relatifs aux avances consenties sur des prêts assurés visant des ensembles de logements aidés qui éprouvent des difficultés financières atteignaient 52 millions de dollars (56 millions de dollars en 2004); ces avances sont normalement versées dans un délai de 10 ans.

Les obligations financières restantes, au titre des programmes de logement, couvrent des périodes d'au plus 10 ans.

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(en millions de dollars)					
2006	2007	2008	2009	2010	2011 et par la suite
1 769	1 725	1 721	1 717	1 704	21 347

En plus des marges de crédit mentionnées à la note 7, la SCHL disposait d'une lettre de crédit de 55 millions de dollars (40 millions de dollars en 2004) au 31 décembre 2005.

La SCHL fait l'objet de poursuites totalisant 11 millions de dollars (14 millions de dollars en 2004). Puisqu'il est actuellement impossible d'en prévoir le dénouement, aucune provision pour pertes n'a été inscrite.

21. CHIFFRES CORRESPONDANTS

Les chiffres correspondants ont été reclassés de façon à les rendre conformes à la présentation adoptée pour l'exercice 2005.

19. OPÉRATIONS ENTRE APPARENTÉS

La Société est apparentée à tous les ministères, organismes et sociétés d'État du gouvernement du Canada; leur propriétaire commun. La SCHL conclut des opérations avec certaines de ces entités dans le cours normal de ses activités. Des informations sont fournies ci-dessous, ou dans les notes pertinentes, sur toutes les opérations importantes menées avec ces entités.

La SCHL reçoit des remboursements du gouvernement du Canada, sous forme de crédits parlementaires, pour ce qui suit :

- Paiements effectués à l'égard des programmes de logement;
- Pertes en intérêts découlant du fait que certains prêts portent intérêt à un taux inférieur à celui exigé pour les emprunts connexes;
- Pertes d'exploitation nettes relatives à certains investissements se rapportant aux programmes de logement et à certains biens immobiliers;
- Pertes nettes pour défaut de paiement relatives à certains prêts et pertes nettes découlant de la cession de certains investissements se rapportant aux programmes de logement et de certains biens immobiliers;
- Frais d'exploitation liés à l'application des programmes de logement.

Le tableau qui suit résume ces dépenses :

(en millions de dollars)		2005	2004	2003
Paiements liés à l'application des programmes de logement		1 916	1 904	1 860
Pertes en intérêts		53	97	99
Pertes d'exploitation nettes		3	4	11
Pertes nettes pour défaut de paiement et pertes nettes sur cessions		1	1	2
Total des dépenses des programmes de logement		1 973	2 006	1 972
Frais d'exploitation		103	101	97
Total des crédits		2 076	2 107	2 069

Le remboursement lié aux pertes attribuables aux taux d'intérêt est également inclus dans les intérêts sur les prêts et investissements se rapportant aux programmes de logement. Les pertes d'exploitation nettes, les pertes nettes pour défaut de paiement relatives à certains prêts et les pertes nettes découlant de la cession de certains investissements sont comptabilisées comme des sommes à recevoir du gouvernement du Canada et comme des dépenses relatives à l'application des programmes de logement selon la comptabilité d'exercice. Le remboursement des frais d'exploitation apparaît à l'état consolidé des résultats dans les crédits parlementaires alloués aux frais d'exploitation.

La SCHL verse des droits au gouvernement du Canada en contrepartie de la garantie financière fournie par ce dernier à l'égard de ses activités d'assurance et de titrisation; ces droits sont imputés au poste Autres revenus en fonction du montant d'échange, lequel correspond au montant convenu entre les parties apparentées. En 2005, ces droits se sont établis à 3 millions de dollars (21 millions de dollars en 2004 et 29 millions de dollars en 2003).

En échange des biens cédés à la Société immobilière du Canada CLC limitée en 1998 et en 1999, la SCHL possède des billets à recevoir de 43 millions de dollars (41 millions de dollars en 2004) portant intérêt à 7,35 % et venant à échéance en 2014.

Comme il est indiqué à la note 1, la Société s'acquitte de son mandat dans le cadre de ses activités d'assurance, de titrisation, des programmes de logement et d'octroi de prêts et, en raison de l'application de la NOC-15, elle a consolidé la totalité des résultats relatifs à chacune de ces activités conformément aux conventions comptables décrites à la note 2. La colonne Octroi de prêts comprend certains éléments qui ne sont pas attribués à chaque activité. La colonne Application des remboursements contient les remboursements qui se rapportent aux activités d'octroi de prêts, tel qu'il est indiqué à la note 3. Ces remboursements ne sont pas éliminés dans le tableau ci-dessous.

3 Ces remboursements ne sont pas éliminés dans le tableau ci-dessous.

Au 31 décembre 2005, la juste valeur de l'actif du régime comprenait des placements de 111 millions de dollars (94 millions de dollars en 2004) dans des organismes apparentés à la SCHL, y compris 14 millions de dollars d'OHC de la FCH (18 millions de dollars en 2004). Une charge nette de 4 millions de dollars (3 millions de dollars en 2004) a été facturée aux régimes de retraite en 2005.

Catégorie d'actifs du régime			Pourcentage de la juste valeur de l'actif total du régime		
2005			2004		
Placements à court terme	1,47 %		1,62 %		
Obligations et débentures	20,25 %		19,09 %		
Actions	64,31 %		65,15 %		
Titres à rendement réel	4,86 %		4,91 %		
Biens immobiliers	9,11 %		9,23 %		
Total	100,00 %		100,00 %		

La répartition de l'actif du régime de retraite à prestations déterminées est la suivante :

Coûts engagés durant l'exercice						
(en millions de dollars)						
2005	2004	2003	2005	2004	2003	2003
Régimes de retraite	Autres régimes sociaux postérieurs à l'emploi					
Coût des prestations pour services rendus au cours de l'exercice, déduction faite des cotisations des employés	18	17	15	2	2	1
Intérêts débiteurs	56	57	59	6	6	6
Rendement réel de l'actif des régimes de retraite	(137)	(116)	(132)	—	—	—
Perte actuarielle (gain actuariel) sur l'obligation au titre des prestations constituées	100	8	44	19	(3)	9
Total des coûts avant ajustements	37	(34)	(14)	27	5	16
Ajustements visant à prendre en compte la nature à long terme des avantages sociaux futurs						
Ecart entre le rendement prévu et le rendement réel de l'actif des régimes	78	59	75	—	—	—
Ecart entre le montant de la perte actuarielle constatée (du gain actuariel constaté) et le montant réel de la perte actuarielle (du gain actuariel) sur l'obligation au titre des prestations constituées	(100)	(3)	(34)	(18)	4	(9)
Amortissement du coût des services passés	9	9	9	—	—	—
Amortissement de l'obligation (actif) transitoire	(30)	(30)	(30)	3	3	3
Total des ajustements	(43)	35	20	(15)	7	(6)
Coût (revenu) net constaté au titre des avantages sociaux	(6)	1	6	12	12	10

Le tableau ci-dessous présente les coûts constatés par la SCHL au titre des prestations déterminées pour l'exercice :

(en millions de dollars)		
Augmentation (diminution) de l'obligation au titre des prestations constituées	Augmentation (diminution) du coût net des prestations	
Augmentation/diminution de 0,5 % du taux d'actualisation	(81)/88	(2)/9
Augmentation/diminution de 0,5 % du taux de croissance de la rémunération	13/(12)	3/(2)
Augmentation/diminution de 0,5 % du taux de rendement à long terme de l'actif des régimes	—	(6)/6
Augmentation/diminution de 1,00 % du taux tendanciel du coût des soins de santé	15/(11)	2/(1)

la hausse présumée du coût des soins de santé était de 8,4 % (8,8 % en 2004), lequel devrait diminuer en moyenne par an (0,4 % en 2004) par la suite pour atteindre un taux tendanciel de 5,1 % en 2014.

Obligation au titre des prestations constituées		
Taux d'actualisation	5,00 %	5,75 %
Taux de croissance de la rémunération	2,50 %	2,75 %
Coût des prestations		
Taux d'actualisation	5,75 %	6,00 %
Taux de croissance de la rémunération	2,75 %	3,00 %
Taux de rendement à long terme de l'actif des régimes	5,75 %	6,00 %
Durée résiduelle moyenne d'activité — régimes de retraite	10 ans	11 ans
Durée résiduelle moyenne d'activité — autres avantages sociaux postérieurs à l'emploi	13 ans	13 ans

Les obligations au titre des prestations constituées ont été établies au 31 décembre 2005. L'évaluation actuarielle servant à déterminer le niveau de capitalisation a été effectuée le 31 décembre 2005, et la prochaine évaluation selon l'échéancier régulier aura lieu, au plus tard, le 31 décembre 2008. Lors de l'évaluation actuarielle des régimes de retraite et des autres avantages sociaux postérieurs à l'emploi, les hypothèses suivantes ont été retenues :

Le tableau ci-dessous fournit des informations relatives aux avantages sociaux futurs :

(en millions de dollars)		2005	2004	2005	2004
Régimes de retraite				Autres avantages sociaux postérieurs à l'emploi	

Obligation au titre des prestations constituées

Solde au début de l'exercice	984	947	98	96
Coût des prestations pour services rendus au cours de l'exercice	18	17	2	2
Cotisations des employés	5	4	—	—
Intérêts débiteurs	56	57	6	6
Prestations versées	(51)	(49)	(3)	(3)
Perte actuarielle (gain actuariel)	100	8	19	(3)
Solde à la fin de l'exercice	1 112	984	122	98

Juste valeur de l'actif des régimes de retraite

Solde au début de l'exercice	1 042	960	—	—
Rendement réel de l'actif des régimes	137	116	—	—
Cotisations de l'employeur	6	11	3	3
Cotisations des employés	5	4	—	—
Prestations versées	(51)	(49)	(3)	(3)
Solde à la fin de l'exercice	1 139	1 042	—	—
Niveau de capitalisation — Excédent (déficit)	27	58	(122)	(98)
Perte actuarielle nette non amortie	123	102	33	15
Coût non amorti des services passés	53	61	—	—
Obligation transitoire non amortie (actif transitoire non amorti)	(150)	(180)	28	31
Actif (passif) au titre des prestations constituées	53	41	(61)	(52)

Il faut aussi tenir compte des montants suivants se rapportant au régime de retraite complémentaire sans capitalisation qui sont inclus ci-dessus sous l'en-tête Régimes de retraite.

(en millions de dollars)		2005	2004
Régime de retraite complémentaire			
Juste valeur de l'actif du régime	—	—	—
Obligation au titre des prestations constituées	28	27	—
Niveau de capitalisation — Déficit	28	27	—

Lorsque les cours du marché ne sont pas disponibles, la juste valeur est estimée en actualisant le solde des flux de trésorerie contractuels aux taux d'intérêt du marché offerts couramment pour des instruments assortis de termes et de risques semblables à ceux des instruments existants et de la même nature.

Pour les prêts et les investissements se rapportant aux programmes de logement, la juste valeur est également ajustée au titre du recouvrement des pertes d'intérêts.

La variation totale de la juste valeur des montants se rapportant aux instruments dérivés pendant l'exercice est de 18 millions de dollars (10 millions de dollars en 2004 et sans objet en 2003). Ce montant a été imputé au poste Autres revenus.

17. AVANTAGES SOCIAUX FUTURS

La SCHL a établi un régime de retraite à prestations déterminées et un régime de retraite complémentaire. Elle offre également d'autres avantages sociaux postérieurs à l'emploi.

L'actif au titre des prestations constituées relatif au régime de retraite à prestations déterminées est inscrit au poste *Débiteurs et autres éléments d'actif*. Le passif au titre des prestations constituées se rapportant au régime de retraite complémentaire et aux avantages sociaux postérieurs à l'emploi est imputé au poste *Créditeurs et autres charges à payer*. La charge nette au titre des avantages sociaux est inscrite au poste *Frais d'exploitation*.

Les paiements au titre des avantages sociaux futurs ont totalisé 9 millions de dollars (14 millions de dollars en 2004 et 3 millions de dollars en 2003). Ils comprennent les cotisations de la SCHL au régime de retraite par capitalisation ainsi que les paiements se rapportant au régime de retraite complémentaire sans capitalisation. Ils incluent également les débours relatifs aux autres avantages sociaux postérieurs à l'emploi, notamment les sommes versées à un tiers fournissant des services, pour le compte des retraités, et les paiements faits directement aux employés, à leurs bénéficiaires ou à leur succession.



(1) Juste valeur déterminée à l'aide des cours du marché.
(2) Juste valeur estimée en fonction de la valeur actualisée.
(3) Juste valeur égale à la valeur comptable en raison de la nature à court terme de l'instrument.

2004		2005		2006		2007		2008		2009		2010		2011		2012		2013		2014		2015		2016		2017		2018		2019		2020		2021		2022		2023		2024		2025		2026		2027		2028		2029		2030		2031		2032		2033		2034		2035		2036		2037		2038		2039		2040		2041		2042		2043		2044		2045		2046		2047		2048		2049		2050		2051		2052		2053		2054		2055		2056		2057		2058		2059		2060		2061		2062		2063		2064		2065		2066		2067		2068		2069		2070		2071		2072		2073		2074		2075		2076		2077		2078		2079		2080		2081		2082		2083		2084		2085		2086		2087		2088		2089		2090		2091		2092		2093		2094		2095		2096		2097		2098		2099		2100		2101		2102		2103		2104		2105		2106		2107		2108		2109		2110		2111		2112		2113		2114		2115		2116		2117		2118		2119		2120		2121		2122		2123		2124		2125		2126		2127		2128		2129		2130		2131		2132		2133		2134		2135		2136		2137		2138		2139		2140		2141		2142		2143		2144		2145		2146		2147		2148		2149		2150		2151		2152		2153		2154		2155		2156		2157		2158		2159		2160		2161		2162		2163		2164		2165		2166		2167		2168		2169		2170		2171		2172		2173		2174		2175		2176		2177		2178		2179		2180		2181		2182		2183		2184		2185		2186		2187		2188		2189		2190		2191		2192		2193		2194		2195		2196		2197		2198		2199		2200		2201		2202		2203		2204		2205		2206		2207		2208		2209		2210		2211		2212		2213		2214		2215		2216		2217		2218		2219		2220		2221		2222		2223		2224		2225		2226		2227		2228		2229		2230		2231		2232		2233		2234		2235		2236		2237		2238		2239		2240		2241		2242		2243		2244		2245		2246		2247		2248		2249		2250		2251		2252		2253		2254		2255		2256		2257		2258		2259		2260		2261		2262		2263		2264		2265		2266		2267		2268		2269		2270		2271		2272		2273		2274		2275		2276		2277		2278		2279		2280		2281		2282		2283		2284		2285		2286		2287		2288		2289		2290		2291		2292		2293		2294		2295		2296		2297		2298		2299		2300		2301		2302		2303		2304		2305		2306		2307		2308		2309		2310		2311		2312		2313		2314		2315		2316		2317		2318		2319		2320		2321		2322		2323		2324		2325		2326		2327		2328		2329		2330		2331		2332		2333		2334		2335		2336		2337		2338		2339		2340		2341		2342		2343		2344		2345		2346		2347		2348		2349		2350		2351		2352		2353		2354		2355		2356		2357		2358		2359		2360		2361		2362		2363		2364		2365		2366		2367		2368		2369		2370		2371		2372		2373		2374		2375		2376		2377		2378		2379		2380		2381		2382		2383		2384		2385		2386		2387		2388		2389		2390		2391		2392		2393		2394		2395		2396		2397		2398		2399		2400		2401		2402		2403		2404		2405		2406		2407		2408		2409		2410		2411		2412		2413		2414		2415		2416		2417		2418		2419		2420		2421		2422		2423		2424		2425		2426		2427		2428		2429		2430		2431		2432		2433		2434		2435		2436		2437		2438		2439		2440		2441		2442		2443		2444		2445		2446		2447		2448		2449		2450		2451		2452		2453		2454		2455		2456		2457		2458		2459		2460		2461		2462		2463		2464		2465		2466		2467		2468		2469		2470		2471		2472		2473		2474		2475		2476		2477		2478		2479		2480		2481		2482		2483		2484		2485		2486		2487		2488		2489		2490		2491		2492		2493		2494		2495		2496		2497		2498		2499		2500		2501		2502		2503		2504		2505		2506		2507		2508		2509		2510		2511		2512		2513		2514		2515		2516		2517		2518		2519		2520		2521		2522		2523		2524		2525		2526		2527		2528		2529		2530		2531		2532		2533		2534		2535		2536		2537		2538		2539		2540		2541		2542		2543		2544		2545		2546		2547		2548		2549		2550		2551		2552		2553		2554		2555		2556		2557		2558		2559		2560		2561		2562		2563		2564		2565		2566		2567		2568		2569		2570		2571		2572		2573		2574		2575		2576		2577		2578		2579		2580		2581		2582		2583		2584		2585		2586		2587		2588		2589		2590		2591		2592		2593		2594		2595		2596		2597		2598		2599		2600		2601		2602		2603		2604		2605		2606		2607		2608		2609		2610		2611		2612		2613		2614		2615		2616		2617		2618		2619		2620		2621		2622		2623		2624		2625		2626		2627		2628		2629		2630		2631		2632		2633		2634		2635		2636		2637		2638		2639		2640		2641		2642		2643		2644		2645		2646		2647		2648		2649		2650		2651		2652		2653		2654		2655		2656		2657		2658		2659		2660		2661		2662		2663		2664		2665		2666		2667		2668		2669		2670		2671		2672		2673		2674		2675		2676		2677		2678		2679		2680		2681		2682		2683		2684		2685		2686		2687		2688		2689		2690		2691		2692		2693		2694		2695		2696		2697		2698		2699		2700		2701		2702		2703		2704		2705		2706		2707		2708		2709		2710		2711		2712		2713		2714		2715		2716		2717		2718		2719		2720		2721		2722		2723		2724		2725		2726		2727		2728		2729		2730		2731		2732		2733		2734		2735		2736		2737		2738		2739		2740		2741		2742		2743		2744		2745		2746		2747		2748		2749		2750		2751		2752		2753		2754		2755		2756		2757		2758		2759		2760		2761		2762		2763		2764		2765		2766		2767		2768		2769		2770		2771		2772		2773		2774		2775		2776		2777		2778		2779		2780		2781		2782		2783		2784		2785		2786		2787		2788		2789		2790		2791		2792		2793		2794		2795		2796		2797		2798		2799		2800		2801		2802		2803		2804		2805		2806		2807		2808		2809		2810		2811		2812		2813		2814		2815		2816		2817		2818		2819		2820		2821		2822		2823		2824		2825		2826		2827		2828		2829		2830		2831		2832		2833		2834		2835		2836		28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2004		2005		2006		2007		2008		2009		2010		2011		2012		2013		2014		2015		2016		2017		2018		2019		2020		2021		2022		2023		2024		2025		2026		2027		2028		2029		2030		2031		2032		2033		2034		2035		2036		2037																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							

La SCHL limite son risque de crédit lié aux instruments dérivés en traitant avec des contreparties ayant une cote de crédit conforme aux directives du ministère des Finances et en signant des accords généraux de compensation avec toutes les

La FCH n'a conclu des contrats qu'avec des contreparties dont la cote de crédit est élevée et ne détient que des placements cotés R-1(élevé) ou AAA.

GARANTIES

Aux termes des accords de garantie, les contreparties doivent fournir des garanties à la SCHL si le risque auquel elles exposent celle-ci dépasse un certain seuil. Au 31 décembre 2005, les garanties détenues par la SCHL totalisaient 24 millions de dollars (13 millions de dollars en 2004).

La FCH atténue également le risque en obtenant des garanties si la cote de la contrepartie est inférieure à AA-.

Au 31 décembre 2005, les garanties détenues par la FCH totalisent 212 millions de dollars (95 millions de dollars en 2004).

16. JUSTE VALEUR DES INSTRUMENTS FINANCIERS

Les montants indiqués ci-dessous représentent la juste valeur des instruments financiers d'après les méthodes d'évaluation et les hypothèses énoncées. La juste valeur constitue le montant estimatif auquel ces instruments pourraient être échangés dans

un marché actif pour le même instrument.

Puisqu'il n'y a pas de marché pour un grand nombre des instruments financiers de la Société, leur juste valeur est estimée en fonction de la valeur actualisée ou d'autres méthodes d'évaluation. Ces méthodes dépendent largement des hypothèses utilisées pour déterminer le montant et le calendrier des flux de trésorerie futurs estimatifs ainsi que les taux d'actualisation, lesquels dénotent divers degrés de risque. Comme il faut tenir compte des jugements subjectifs et des incertitudes, les montants mesurés à la juste valeur ne sauraient être interprétés comme étant réalisables en cas de règlement immédiat des instruments. En outre, le calcul d'une juste valeur estimative est fondée sur la conjoncture économique à un moment précis et n'est pas nécessairement représentatif de cette juste valeur dans l'avenir.

Les fluctuations des taux d'intérêt constituent le principal facteur explicatif des changements de la juste valeur des instruments

Certains prêts et investissements se rapportant aux programmes de logement de la SCHL sont assortis d'un privilège de remboursement anticipé ou d'une option de révision des taux contractuels. Puisque la SCHL ne peut rembourser par anticipation, sans pénalité, ses emprunts auprès du gouvernement du Canada, elle est exposée au risque de taux d'intérêt.

Risque de change

Le risque de change lié aux emprunts libellés en devises est couvert conformément à la ligne de conduite pertinente de la Société.

15. RISQUE DE CRÉDIT

Le risque de crédit s'entend du risque que la SCHL subisse des pertes si une contrepartie n'est pas en mesure de respecter ses obligations contractuelles. La SCHL s'expose au risque de crédit de différentes façons : directement, en raison des prêts qu'elle consent et des placements et des opérations de couverture qu'elle effectue et, indirectement, à cause des indemnités qu'elle pourrait être appelée à verser dans le cadre de ses activités d'assurance et de titrisation.

Le risque de crédit associé aux placements et aux instruments dérivés de la Société est géré en adoptant des lignes de conduite visant à limiter le niveau de risque lié à chaque contrepartie et à diversifier le risque de crédit.

Instruments dérivés

Le tableau ci-dessous présente le risque de crédit associé aux instruments dérivés de la Société, selon la durée à l'échéance.

Valeur de remplacement ⁽¹⁾	Moins de					Risque de crédit futur ⁽²⁾	Risque de crédit total
	De 1 à 3 ans	De 3 à 5 ans	Plus de 5 ans	de crédit éventuel	2005		
(en millions de dollars)	1 an	3 ans	5 ans	5 ans	2004		

SCHL							
Swaps de taux d'intérêt	9	15	13	38	219	294	288
Swaps de devises	—	—	—	—	27	27	—
Total SCHL	9	15	13	38	246	321	288
FCH							
Swaps de taux d'intérêt	18	485	284	7	363	1 157	1 243
Grand total	27	500	297	45	609	1 478	1 531

(1) Valeur courante de remplacement de tous les contrats en cours ayant une juste valeur positive, avant la prise en compte des accords généraux de compensation
(2) Majoration correspondant à une estimation de la fluctuation éventuelle de la valeur marchande de l'opération jusqu'à l'échéance, calculée en fonction du montant nominal des contrats selon des facteurs conformes aux lignes directrices du Bureau du surintendant des institutions financières.

(en millions de dollars)									
	Moins de 3 mois	De 3 mois à 5 ans	Plus de 5 ans	Autres ⁽²⁾	FCH	Éliminations intermédiaires	2005	2004	
Actif									
Placements dans des TH LNH	—	—	—	—	—	—	63 931	51 373	
Taux d'intérêt effectif ⁽³⁾	—	—	—	—	—	—	—	—	
Prêts et investissements se rapportant aux programmes de logement	861	1 316	4 977	5 982	34	—	13 170	13 669	
Taux d'intérêt effectif	6,00 %	5,31 %	4,50 %	7,86 %	1 463	1 672	(451)	11 242	8 637
Placements	—	312	3 878	4 92 %	—	—	6 975	5 264	
Taux d'intérêt effectif	—	2,85 %	4,09 %	3,14 %	—	—	—	—	
Trésorerie et équivalents	3 967	—	—	3 008	—	—	—	—	
Taux d'intérêt effectif	3,32 %	—	—	3,17 %	—	—	—	—	
Titres acquis en vertu de conventions de revente	112	—	—	3 928	—	—	4 040	576	
Taux d'intérêt effectif	3,10 %	—	—	—	—	—	—	—	
Montants se rapportant aux instruments dérivés	578	1 910	5 757	2 209	74	—	10 528	80	
Instruments financiers — position receveur	—	—	—	—	—	—	—	—	
Taux d'intérêt effectif	3,59 %	5,74 %	4,82 %	5,26 %	—	—	—	—	
Montants se rapportant aux instruments dérivés	(1 179)	(1 934)	(5 525)	(1 816)	—	—	(10 454)	—	
Instruments financiers — position payeur	—	—	—	—	—	—	—	—	
Taux d'intérêt effectif	3,30 %	5,11 %	4,36 %	4,81 %	—	—	—	—	
Autres actifs	—	—	—	—	—	—	—	—	
Total de l'actif	4 339	1 604	9 087	10 743	2 569	73 208	101 093	81 008	
Passif									
Obligations hypothécaires du Canada	—	—	—	—	—	72 526	(451)	53 834	
Taux d'intérêt effectif	—	—	—	—	—	—	—	—	
Emprunts sur les marchés de capitaux	1 725	1 427	4 918	1 397	—	—	9 467	9 207	
Taux d'intérêt effectif	3,10 %	4,74 %	4,26 %	4,79 %	—	—	—	—	
Emprunts auprès du gouvernement	96	94	916	3 793	—	—	4 899	5 045	
Taux d'intérêt effectif	8,73 %	8,70 %	8,92 %	9,14 %	—	—	—	—	
Titres vendus en vertu de conventions de rachat	3 044	—	—	—	—	—	3 044	2 976	
Taux d'intérêt effectif	3,01 %	—	—	—	—	—	—	—	
Titres vendus, mais non encore achetés	—	—	—	111	—	—	—	121	
Taux d'intérêt effectif	—	—	—	—	—	—	—	—	
Montants se rapportant aux instruments dérivés	—	—	—	—	—	—	—	—	
Instruments financiers — position receveur	(2 232)	(203)	(2 673)	(405)	14	—	(5 499)	38	
Taux d'intérêt effectif	3,26 %	4,55 %	4,62 %	4,10 %	—	—	—	—	
Montants se rapportant aux instruments dérivés	—	—	—	—	—	—	—	—	
Instruments financiers — position payeur	1 811	494	2 798	410	—	—	5 513	—	
Taux d'intérêt effectif	4,37 %	5,09 %	4,91 %	5,64 %	—	—	—	—	
Autres passifs et avoir du Canada	—	—	—	—	—	682	(6)	9 787	
Total du passif et de l'avoir du Canada	4 444	1 812	5 959	5 306	10 821	73 208	(457)	101 093	81 008
Écart au bilan	(105)	(208)	3 128	5 437	(8 252)	—	—	—	
Instruments financiers hors bilan									
Admissibles à la comptabilité de couverture	—	—	—	—	—	72 550	—	56 869	
Instruments financiers — position payeur	—	—	—	—	—	—	—	—	
Taux d'intérêt effectif	—	—	—	—	—	—	—	—	
Instruments financiers — position receveur	300	—	2 904	—	—	72 550	75 754	56 869	
Taux d'intérêt effectif	3,36 %	—	4,20 %	—	—	4,12 %	—	—	
Écart hors bilan	300	—	(300)	—	—	—	—	—	
Écart total	195	(208)	2 828	5 437	(8 252)	—	—	—	

Les mesures à la date de révision des taux contractuels ou à la date d'échéance, selon la plus rapprochée

Il n'est pas insensibles aux fluctuations des taux d'intérêt ou qui n'ont pas d'échéance précise

Le cas des instruments à taux fixe, et aux taux à la révision, pour les instruments à taux variable

13. INSTRUMENTS DÉRIVÉS

Les instruments dérivés sont des contrats financiers dont la valeur dépend des fluctuations des indices ou encore des prix des titres ou des autres instruments ou dérivés sous-jacents. La Société utilise des instruments dérivés (swaps de taux d'intérêt ou de devises) pour gérer ses risques.

Les swaps de taux d'intérêt sont des opérations par lesquelles deux parties échangent des paiements d'intérêts selon un montant nominal précis et un échéancier préétabli, calculés selon des taux fixes et variables convenus d'avance. Les montants nominaux ne font pas l'objet de l'échange. La valeur de ces swaps est fondée sur les fluctuations des taux d'intérêt. Ces swaps servent à gérer le risque de réinvestissement, le risque de refinancement ou les incidences d'une non-concordance entre les encaissements liés aux actifs et les paiements relatifs aux passifs.

Les swaps de devises sont des opérations par lesquelles deux parties échangent des devises et des paiements d'intérêts selon un montant nominal précis et un échéancier préétabli. Le montant nominal est échangé à la date de conclusion de l'accord de swap et à son échéance. La valeur de ces swaps est fondée sur les fluctuations des taux de change et d'intérêt. Ces swaps servent à gérer le risque de change lié aux emprunts libellés en devises.

Le tableau ci-dessous donne le montant nominal des opérations sur instruments dérivés effectuées par la Société. Le montant nominal, non inscrit au bilan, sert de point de référence pour le calcul des paiements, mais il ne représente ni la juste valeur ni le gain ou la perte possible, compte tenu du risque de crédit ou du risque de marché lié à de tels instruments.

Inadmissibles à la comptabilité de couverture		Admissibles à la comptabilité de couverture	
(en millions de dollars)			
2005	2004	2005	2004

SCHL			
Swaps de taux d'intérêt	15 967	15 562	300
Swaps de devises	—	—	2 119
Total SCHL	15 967	15 562	2 419
FCH			
Swaps de taux d'intérêt	—	—	54 450
Grand total — Montant nominal	15 967	15 562	56 869

14. RISQUE DE MARCHÉ

Le risque de marché représente la possibilité que des fluctuations des facteurs sous-jacents du marché, notamment les taux d'intérêt et de change ainsi que les cours des actions, aient des répercussions financières négatives.

Risque de taux d'intérêt

La SCHL gère le risque de taux d'intérêt en adoptant des lignes de conduite visant à limiter le risque lié aux placements ainsi qu'à l'octroi de prêts.

Les portefeuilles de placements se rapportant aux activités d'assurance et de titrisation sont gérés en tenant compte du profil du passif, de manière à ce que le degré de sensibilité aux fluctuations des taux d'intérêt par rapport aux indices repères soit contrôlé et que des normes adéquates concernant la diversification des actifs soient appliquées. Le risque de taux d'intérêt lié à l'octroi de prêts est géré en rapprochant les actifs et les passifs, en réalisant des opérations de couverture et en mettant en œuvre des stratégies tenant compte de l'évolution des marchés de capitaux. La FCH a recours à des accords de swap pour gérer le risque que les intérêts gagnés sur ses investissements ne seront pas suffisants pour satisfaire ses obligations relatives ment aux OHC. Avec ces swaps, tous les intérêts versés à la FCH, nets de ses dépenses, sont payés aux contreparties de swap et la FCH reçoit des paiements qui équivalent l'intérêt qu'elle doit verser sur les OHC.

12. PROGRAMMES DE LOGEMENT

La SCHL fait des paiements pour soutenir les programmes de logement indiqués ci-dessous et financés au moyen de crédits

(en millions de dollars)			
2003	2004	2005	Total
589	593	586	Logement sans but lucratif
502	511	483	Logement public
166	173	175	Programme de logement abordable
165	158	151	Logement pour les ruraux et les Autochtones
143	139	142	Supplément au loyer
88	114	113	Programmes de rénovation
92	94	105	Logement pour les Autochtones en milieu urbain
95	100	99	Logement dans les réserves
89	86	83	Coopératives d'habitation
12	12	12	Compagnies de logement à dividendes limités
9	8	10	Recherche et diffusion de l'information
22	18	14	Autres
1 972	2 006	1 973	Total

Une tranche de 950 millions de dollars (957 millions de dollars en 2004 et 961 millions de dollars en 2003) du montant total affecté aux programmes de logement en 2005 a été engagée aux termes de programmes transférés aux provinces et aux territoires en vertu des ententes sur le logement social. Ces montants sont présentés ci-dessus en fonction de la répartition prévue aux termes des ententes, lesquelles prévoient également qu'en cas de financement excédentaire d'un programme, la province ou le territoire peut affecter le montant en trop à d'autres programmes de logement.

10. TITRISATION

La SCHL garantit le paiement ponctuel du principal et des intérêts aux détenteurs de titres fondés sur des prêts à l'habitation qui sont émis par des émetteurs agréés (principalement des établissements de crédit) en vertu du Programme des TH LNH et des obligations émises par la FCH par l'entremise du Programme des Obligations hypothécaires du Canada.

La SCHL a décidé qu'il n'était pas nécessaire de constituer une provision pour indemnités en ce qui a trait à ces programmes. Cette décision repose sur une évaluation fondée sur les résultats historiques et sur la conception de ces programmes, seules les créances hypothécaires assurées pouvant être titrisées. De plus, la SCHL exige que la FCH ne traite qu'avec des contreparties à des swaps ayant un degré de solvabilité élevé, qu'une garantie soit fournie si la cote de solvabilité de la contrepartie est révisée à la baisse et que tous les placements soient cotés R-I (élevé) ou AAA.

Garanties en vigueur

L'article 15 de la LNH stipule que le montant global des garanties du principal en vigueur ne doit pas dépasser 300 milliards de dollars. Au 31 décembre 2005, ce montant totalisait 104 milliards de dollars (81 milliards de dollars en 2004), soit 31 milliards de dollars (26 milliards de dollars en 2004) pour les TH LNH garantis par la SCHL et 73 milliards de dollars (55 milliards de dollars en 2004) pour les OHC garanties par la SCHL et émises par la FCH, tel que présenté dans le tableau ci-dessous.

(en millions de dollars)		2005	2004
Solde en circulation au 31 décembre			
(Escompte non amorti) Prime non amortie		72 550	54 450
		(24)	18
		72 526	54 468
Eliminations incertaines		(451)	(634)
Solde au 31 décembre			
		72 075	53 834

11. BÉNÉFICES NON RÉPARTIS

Les bénéfices affectés à la capitalisation représentent la tranche du bénéfice net cumulé généré par les activités d'assurance qui a été mise de côté, conformément aux lignes directrices du Bureau du surintendant des institutions financières (BSIF) en matière de capitalisation, et qui est approuvée chaque année aux termes du plan d'entreprise de la SCHL. Les bénéfices non répartis non affectés représentent le bénéfice net provenant des activités d'assurance qui n'a pas été mis de côté aux fins de capitalisation et la totalité des bénéfices non répartis provenant des activités de titrisation.

La SCHL place dans sa réserve pour l'octroi de prêts tous les bénéfices non répartis découlant des activités d'octroi de prêts. Cette réserve est composée des éléments suivants :

(en millions de dollars)		Limite permise	31 décembre 2005	31 décembre 2004
Réserve servant à compenser les fluctuations du bénéfice net				
découlant de l'application de la NOC-13 — Relations de couverture		50	21	16
Réserve se rapportant aux autres éléments liés à l'octroi de prêts		125	122	118
Réserve pour l'octroi de prêts		175	143	134

(en millions de dollars)		2005	2004
SCHL			
Ajustement relatif au taux de change applicable aux swaps de devises	293	317	
Gains reportés découlant de la vente de placements	228	109	
Charges à payer se rapportant aux programmes de logement	174	166	
Passif au titre des prestations constituées s'appliquant au régime de retraite complémentaire et aux autres avantages sociaux postérieurs à l'emploi	78	67	
Impôts à payer	59	62	
Obligation découlant d'un contrat de location-acquisition	21	22	
Gain transitoire non amorti découlant de la mise en application de la NOC-13 —	16	20	
Relations de couverture	16	20	
Droits payables au gouvernement du Canada	5	25	
Autres éléments de passif	85	81	
Total SCHL	959	869	
FCH	1	1	
Grand total	960	870	

Le tableau suivant présente la composition du poste *Créditeurs et autres charges à payer* :

9. CRÉDITEURS ET AUTRES CHARGES À PAYER

Article 11 de la LNH stipule que le montant global des polices d'assurance prêt hypothécaire en vigueur ne doit pas dépasser 300 milliards de dollars. Au 31 décembre 2005, ce montant totalisait 274 milliards de dollars (244 milliards de dollars en 2004).

Assurances en vigueur

Pour mesurer la sensibilité de la variation de la provision pour indemnités, il est estimé que pour chaque variation de 5 % de l'estimation des indemnités futures ou du pourcentage des demandes d'indemnité futures, l'incidence sur le bénéfice avant impôts serait une augmentation ou une diminution de 0,5 millions de dollars.

Ces mesures de sensibilité sont hypothétiques et ne devraient pas être interprétées d'une autre manière. La relation entre la variation d'une hypothèse et la variation d'une valeur n'est pas nécessairement linéaire. Le changement d'un facteur peut impliquer ou contrebalancer une mesure de sensibilité.

Nature de la provision pour indemnités

Le calcul de la provision pour indemnités d'assurance prêt hypothécaire repose sur des faits connus et sur l'interprétation de la situation, de sorte qu'il s'agit d'un processus complexe et dynamique, influencé par un grand nombre de facteurs. Ces facteurs évoluent continuellement, car ils dépendent du processus de souscription et de règlement des demandes d'indemnité, des études actuariales, de l'expérience professionnelle, de la qualité des données utilisées aux fins des projections, de la conjoncture économique et des habitudes générales en matière de crédit. Par conséquent, la méthode d'établissement de la provision pour indemnités comporte nécessairement un risque que les résultats réels diffèrent, parfois considérablement, des meilleures estimations.

Les facteurs influant sur les principales hypothèses actuariales sont les suivants :

Nouvelles demandes d'indemnité — Ce facteur englobe la fréquence et le volume des nouvelles demandes d'indemnité. Il est fondé sur les tendances historiques relatives à la présentation de l'information sur les demandes d'indemnité et aux délais de paiement.

Importance des indemnités versées — L'importance des indemnités versées, ou la perte moyenne sur indemnités, dépend du montant des indemnités versées, des pertes découlant de la vente de biens immobiliers, des frais d'administration et des retards se rapportant aux ventes. Ces facteurs sont fondés sur l'expérience passée.

Conjoncture économique — Les facteurs économiques récents et projetés, notamment les taux de chômage, les taux hypothécaires et les fluctuations des prix des habitations, influent sur les prévisions relatives au volume des demandes d'indemnité futures. La provision pour indemnités est fondée sur les projections relatives aux pertes futures sur indemnités et les frais connexes. Les indemnités réelles futures ne correspondront peut-être pas exactement aux projections et elles pourront même varier considérablement par rapport à celles-ci. En outre, les projections ne portent pas sur les nouvelles catégories de demandes d'indemnité dont on ne tient pas suffisamment compte dans la base de données sur les demandes d'indemnité.

Les provisions sont examinées et évaluées régulièrement en fonction des nouvelles demandes d'indemnité et de l'évolution de la situation. Les nouvelles estimations relatives à la provision pour indemnités sont inscrites au poste *Indemnités nettes* durant l'exercice au cours duquel elles sont établies.

Variation de la provision pour indemnités

(en millions de dollars)		
2005	2004	
507	622	Solde au 1 ^{er} janvier
13	8	Incidence de l'augmentation des volumes d'activités
(2)	(39)	Nouvelles demandes d'indemnité
1	—	Importance des indemnités versées
(28)	(85)	Conjoncture économique
(12)	1	Autres
479	507	Solde au 31 décembre

La provision pour indemnités dépend surtout de la modification des hypothèses sur la conjoncture économique. Le taux d'intérêt hypothécaire moyen a cinq ans et le taux de chômage ont diminué d'environ 30 points de base en 2005, comparativement à ceux de 2004, et l'inflation des prix des habitations est demeurée élevée. Les modifications des hypothèses actuariales sur les nouvelles demandes d'indemnité et sur l'importance des indemnités versées ont généralement des incidences à plus long terme.

La SCHL applique l'analyse financière dynamique (AFD) pour modéliser l'incidence, sur des activités d'assurance, des chocs économiques défavorables comme les récessions. Une récession combine des répercussions défavorables sur les taux d'intérêt, l'augmentation du chômage et la détérioration des prix des habitations. Selon l'AFD exposée dans le Plan d'entreprise pour 2006-2010, une récession sur quatre trimestres débutant en 2006 entraînerait une augmentation de la provision pour indemnités de plus de 100 millions de dollars par rapport à son niveau actuel.

(Obligations hypothécaires du Canada

Le FCHH est un fonds d'investissement qui investit dans des obligations hypothécaires du Canada. Le FCHH est géré par la FCHH, qui est une société d'assurance hypothécaire. Le FCHH est autorisé à investir dans des obligations hypothécaires du Canada, y compris des obligations hypothécaires à taux fixe et à taux variable. Le FCHH est autorisé à investir dans des obligations hypothécaires du Canada, y compris des obligations hypothécaires à taux fixe et à taux variable. Le FCHH est autorisé à investir dans des obligations hypothécaires du Canada, y compris des obligations hypothécaires à taux fixe et à taux variable.

(en millions de dollars)		Valeur comptable	Rendement ⁽¹⁾	Valeur comptable
2005	2004			

2006	2 200	5,53 %	2 200
2007	12 618	4,94 %	12 627
2008	20 295	4,10 %	20 274
2009	13 109	4,28 %	13 125
2010	19 364	3,61 %	6 242
2011-2015	4 940	4,05 %	—
Par la suite	—	—	—
Eliminations intercorrélatives	(451)	4,19 %	54 468
Total	72 075	4,18 %	53 834

1. Révisé pour les billets à taux variable
Déterminé en appliquant la moyenne pondérée des rendements comptables pour chacun des titres à revenu fixe et la moyenne

Pour satisfaire aux exigences de remboursement du principal des obligations, les paiements et remboursements anticipés du principal des prêts hypothécaires sous-jacents sont détenus dans un compte désigné au nom de la FCHH, géré et réinvesti dans des actifs admissibles par les contreparties de swap.

8. ASSURANCE

Rôle de l'actuaire désigné

L'actuaire est nommé par la direction de la SCHL en vue d'effectuer une évaluation du passif des polices d'assurance prêt hypothécaire au 30 septembre et d'exprimer une opinion, à l'intention de la direction, concernant le caractère approprié de ce passif à la date de l'évaluation. Les facteurs et les techniques utilisés durant l'évaluation sont conformes à la pratique actuarielle reconnue, aux lois pertinentes et aux règlements connexes. L'étendue de l'évaluation comprend le passif des polices, qui est constitué d'une provision pour indemnités se rapportant à la période courue des polices et des obligations futures relatives : période non échue de celles-ci (primes non acquises). Lors de l'évaluation du passif se rapportant à ces événements éventuels qui, de par leur nature même, sont fondamentalement variables, l'actuaire formule des hypothèses en ce qui a trait au pourcentage des demandes d'indemnité futures, à la perte moyenne sur indemnités, aux tendances, aux frais et aux autres éventualités, tout en tenant compte de la situation de la SCHL et de la nature des polices d'assurance.

La SCHL détermine la provision pour indemnités et la provision pour primes non acquises au 31 décembre à l'aide de facteurs actuariels provenant de l'évaluation au 30 septembre qui tiennent compte des primes perçues et des indemnités payées durant la période de décalage.

7. EMPRUNTS

Avant 1993, les prêts et les investissements se rapportant aux programmes de logement étaient financés au moyen d'emprunts auprès du gouvernement du Canada. Depuis, les emprunts nécessaires de la SCHL sont financés uniquement sur les marchés de capitaux à titre de mandataire de l'État. L'autorisation législative, qui ne s'applique pas aux emprunts de la fiduciaire du Canada pour l'habitation, stipule que l'encours de ces emprunts ne peut dépasser 20 milliards de dollars en tout temps. Le ministre des Finances approuve chaque année le plan d'emprunt de la SCHL de même qu'il établit les limites et les caractéristiques des emprunts.

Le tableau suivant résume les valeurs comptables et les taux des emprunts auprès du gouvernement du Canada, en fonction des remboursements, et des emprunts sur les marchés de capitaux, selon la durée à l'échéance. Les emprunts sur les marchés de capitaux incluent ceux libellés en dollars américains. Le remboursement du principal et le paiement des intérêts libellés en devises sont entièrement couverts au moyen de swaps en dollars canadiens.

(en millions de dollars)	Gouvernement du Canada		Marchés de capitaux		Gouvernement du Canada		Marchés de capitaux	
	Valeur comptable	Taux (1)	Emprunts libellés en devises (2)	Valeur comptable	Taux (1)	Emprunts libellés en devises (2)	Valeur comptable	
2005	—	—	—	—	—	—	145	
2006	198	8,09 %	—	3 153	3,84 %	—	199	
2007	255	8,82 %	—	1 258	4,70 %	—	255	
2008	210	8,90 %	1 160	1 160	4,48 %	—	210	
2009	210	8,88 %	—	1 049	3,91 %	—	210	
2010	204	8,79 %	1 450	1 450	3,94 %	—	204	
2011-2015	1 064	8,53 %	—	1 397	4,79 %	—	1 064	
Par la suite	2 758	9,39 %	—	—	—	—	2 758	
Total	4 899	9,08 %	2 610	9 467	4,20 %	—	5 045	

(1) Rendement moyen pondéré, qui est déterminé en appliquant la moyenne pondérée des rendements comptables pour chacun des titres à revenu fixe et la moyenne pondérée des rendements à la révision pour les billets à taux variable.

(2) Montant équivalent en dollars canadiens des emprunts libellés en dollars américains (inclus dans la valeur comptable).

Les emprunts sur les marchés de capitaux comprennent le papier commercial, dont la durée à l'échéance est inférieure à 365 jours, et la dette à moyen terme. L'encours du papier commercial est de 1 701 millions de dollars, à un taux de 3,13 %. La dette à moyen terme inclut les obligations, les billets à taux variable et les billets à moyen terme à taux fixe, dont la durée à l'échéance varie entre 2 et 10 ans. Les billets à taux variable constituent une tranche de 400 millions de dollars (550 millions de dollars en 2004) des emprunts sur les marchés de capitaux.

En 2005, les intérêts débiteurs ont atteint 451 millions de dollars (469 millions de dollars en 2004 et 488 millions de dollars en 2003) pour les emprunts auprès du gouvernement du Canada et 419 millions de dollars (486 millions de dollars en 2004 et 522 millions de dollars en 2003) pour les emprunts sur les marchés de capitaux.

Marges de crédit

Au 31 décembre 2005, la SCHL disposait de 450 millions de dollars (450 millions de dollars en 2004) de marges de crédit non utilisées et non engagées. Elle peut également obtenir du financement à un jour auprès de son banquier jusqu'à concurrence de 100 millions de dollars (100 millions de dollars en 2004), mais aucun prélevement n'a été effectué.

La FCH est assujettie à l'impôt fédéral ainsi qu'à l'impôt provincial sur son bénéfice imposable de la période et elle peut déduire les montants payés ou payables à son bénéficiaire pour déterminer son bénéfice imposable. Puisque la totalité du bénéfice a été versée au bénéficiaire, aucune provision pour impôts n'est comptabilisée dans les présents états financiers consolidés.

(en millions de dollars)			
2005	2004		
Provisions techniques	(26)	(10)	35
Revenus reportés	61	13	12
Depenses reportées	13	7	8
Frais engagés, mais non déboursés	87	65	1
Autres	1	1	111
Actifs d'impôts futurs	143		

Les actifs (passifs) d'impôts futurs qui résultent de l'incidence fiscale des écarts temporaires s'établissent comme suit :

(en millions de dollars)			
2005	2004	2003	
Impôts selon le taux prévu par la loi (33 % en 2005, 33 % en 2004 et 35 % en 2003)	476	454	349
Réduction nette des actifs d'impôts futurs	—	(2)	(8)
Ecart permanents	(6)	(5)	(4)
Autres	(8)	2	3
Charge d'impôts	462	449	340

6. IMPÔTS SUR LES BÉNÉFICES

La SCHL est assujettie à l'impôt fédéral, mais pas à l'impôt provincial. Le tableau suivant présente le rapprochement de la charge d'impôts de la SCHL

Rendement⁽¹⁾ qui est déterminé en appliquant la moyenne pondérée des rendements comparables pour chacun des titres:

(en millions de dollars)				
Durée à l'échéance	1 an			
	Moins de 1 an	De 1 à 3 ans	De 3 à 5 ans	Plus de 5 ans
Placements dans des titres hypothécaires LNH	10 112	30 616	23 203	—
Rendement ⁽¹⁾	3,88%	3,94%	3,88%	—
				3,91%
				3,40%
				51 373

Les placements de la FCH sont gérés par des contreparties de swap conformément à des ententes contractuelles et la SCHL n'a pas droit à ces placements sauf en cas de défaillance d'une contrepartie de swap.

Les chances des TH LNH de la FCH sont estimées en fonction des hypothèses sur les remboursements anticipés et les règlements de prêts hypothécaires, à l'exception des nouvelles émissions et des remboursements anticipés imprévus. Le tableau ci-après présente l'éventail des échéances et le rendement moyen des placements de la FCH.

Les ventes de placements des portefeuilles de l'Assurance et de la Titrisation ont généré un gain net de 171 millions de dollars en 2005 (gain de 68 millions de dollars en 2004 et gain de 52 millions de dollars en 2003), qui a été reporté. Ces traitements ont en accord avec les conventions comptables énoncées à la note 2. Les gains reportés cumulatifs sont présentés à la note 9.

Les ventes de placements du portefeuille de l'Octroi de prêts ont généré une perte nette de 6 millions de dollars en 2005 (gain de 12 millions de dollars en 2004 et gain de 2 millions de dollars en 2003), qui a été imputée aux résultats de l'exercice.

4. PRÊTS ET INVESTISSEMENTS SE RAPPORTANT AUX PROGRAMMES DE LOGEMENT

La SCHL consent des prêts et effectue des investissements dans le cadre de ses programmes de logement et ce, séparément ou conjointement avec les administrations provinciales, territoriales et municipales. Ces prêts et ces investissements ont des termes d'au plus 50 ans et 98 % ou 12 969 millions de dollars (99 % ou 13 478 millions de dollars en 2004) ont une échéance supérieure à 5 ans. Environ 95 % ou 12 485 millions de dollars des prêts et investissements se rapportant aux programmes de logement (95 % ou 12 916 millions de dollars en 2004) sont assortis de subventions versées dans le cadre de ces programmes.

Au 31 décembre 2005, la SCHL était assurée de recouvrer intégralement le principal et de percevoir la totalité des intérêts courus sur la majeure partie du portefeuille de la façon suivante : 39 % auprès des provinces et des territoires, conformément aux ententes sur le logement social, 25 % auprès du gouvernement du Canada, en vertu des dispositions de la LNH, et 4 % auprès du ministère des Affaires indiennes et du Nord canadien, grâce à des garanties d'emprunt ministérielles.

Le solde du portefeuille (32 %) est souscrit aux termes des activités d'assurance. La provision pour pertes sur ces prêts est prise en considération afin de déterminer la provision pour les indemnités et les primes non acquises.

5. PLACEMENTS

Le tableau ci-dessous indique l'échéance et le rendement moyen des placements.

Durée à l'échéance	(en millions de dollars)			
	Moins de 1 an	De 1 à 3 ans	De 3 à 5 ans	Plus de 5 ans
2004				
2005				

SCHL					
Titres à revenu fixe					
Emis ou garantis par					
Gouvernement du Canada	43	862	1 242	1 537	3 684
Provinces ou municipalités	—	300	203	1 454	1 957
Entreprises ou autres entités	269	810	461	1 377	2 917
Total des titres à revenu fixe	312	1 972	1 906	4 368	8 558
Rendement ⁽¹⁾	2,85 %	3,96 %	4,23 %	4,92 %	4,47 %
Actions (à échéance non déterminée)					
Actions canadiennes					
Actions américaines	296	351	351	314	294
Actions étrangères	—	—	—	—	—
Total des actions	296	351	351	314	294
Rendement ⁽²⁾	2,62 %	3,14 %	3,14 %	3,14 %	2,62 %
Total SCHL					
10 021	8 594	10 021	8 594	10 021	8 594
FCH					
Titres à revenu fixe					
Emis ou garantis par					
Gouvernement du Canada	546	444	53	—	677
Entreprises ou autres entités	629	—	—	—	—
Total FCH	1 175	444	53	—	677
Rendement ⁽¹⁾	3,35%	3,45%	3,61%	—	3,33%
Eliminations interrentités					
(451)	(634)	(451)	(634)	(451)	(634)
Grand total					
11 242	8 637	11 242	8 637	11 242	8 637

(1) Rendement moyen pondéré, déterminé par l'application de la moyenne pondérée des rendements comptables des titres individuels.
(2) Rendement moyen pondéré, déterminé par l'application des taux de dividendes déclarés sur les actions.

Modifications comptables finières — Instruments financiers

En janvier 2005, l'Institut Canadien des Comptables Agréés (ICCA) a publié trois nouvelles normes comptables : *Instruments financiers* — *comptabilisation et évaluation* (chapitre 3855), *Couvertures* (chapitre 3865) et *Résultat étendu* (chapitre 1530). L'incidence de ces normes qui seront appliquées à compter de janvier 2007 est en cours d'évaluation. Les nouvelles exigences sont les suivantes :

Chapitre 3855 — Comptabilisation et évaluation des instruments financiers inscrits au bilan et présentation des gains et des

Chapitre 3865 — Modification du calendrier de comptabilisation des gains et des pertes aux termes du chapitre 3855 afin de permettre le rapprochement des gains et des pertes à l'état des résultats pour les instruments financiers inclus dans les opérations de couverture hautement efficaces.

Chapitre 1530 — Établissement d'une nouvelle composante des capitaux propres et d'un nouvel état du résultat étendu pour présenter certains gains et pertes découlant de l'application des chapitres 3855 et 3865 avant l'imputation de ces gains et pertes à l'état des résultats.

3. MODIFICATION DE CONVENTION COMPTABLE

À compter du 1^{er} janvier 2005, la Société a adopté la Note d'orientation concernant la comptabilité n° 15 intitulée *Consolidation des entités à détenteurs de droits variables* (ci-après, la « NOC-15 ») publiée par l'Institut Canadien des Comptables Agréés, laquelle exige la consolidation de certaines EDDV sur lesquelles le contrôle s'exerce autrement que par la détention de droits de vote. Cette modification de convention comptable a été appliquée rétroactivement et les données des exercices antérieurs ont été redressées.

Selon la NOC-15, une entité à détenteurs de droits variables est une entité qui ne dispose pas de capitaux propres à risque suffisants pour financer ses activités sans un soutien financier subordonné ou dont les détenteurs des capitaux propres à risque ne possèdent pas une participation financière avec contrôle. La FCH est une telle entité à détenteurs de droits variables. La NOC-15 stipule qu'une EDDV doit être consolidée par son principal bénéficiaire et qu'une entité est le principal bénéficiaire d'une EDDV si elle assume la majorité des pertes prévues de l'EDDV et/ou reçoit la majorité des rendements résiduels prévus de celle-ci. La SCHL est considérée la principale bénéficiaire de la FCH. Par conséquent, la FCH est consolidée dans les états financiers de la SCHL aux fins comptables.

Le fiduciaire de la FCH a conclu des ententes avec un certain nombre de parties, notamment la SCHL, pour la prestation de divers services à la FCH. Aux termes d'une de ces ententes, la SCHL, à titre de mandataire de l'État, garantit le paiement ponctuel des intérêts et du principal à l'échéance se rapportant à toutes les OHC émises par la FCH jusqu'à présent. Une fois accordée, la garantie devient une obligation directe et inconditionnelle du gouvernement du Canada et est irrévocable jusqu'au remboursement intégral des OHC à leur échéance (généralement au cours des cinq années après leur émission). En outre, en vertu d'une convention de services financiers, la SCHL évalue la demande d'obligations sur le marché et l'offre de créances hypothécaires susceptibles d'être montées en blocs aux fins de vente à la FCH.

Conformément à la convention d'acquisition et à d'autres ententes pertinentes, la FCH a acquis sa participation financière dans des blocs de TH LNH et la donnée en garantie à l'égard des OHC qu'elle a émis pour financer l'acquisition. Les actifs de la FCH n'appartiennent pas à la SCHL et ne sont pas détenus au bénéfice de cette dernière. Par conséquent, les actifs de la FCH ne peuvent être affectés aux fins générales de la SCHL ni servir à rembourser les passifs de cette dernière. Des renseignements sur la participation de la FCH dans les TH LNH et dans les OHC émis pour financer les acquisitions sont fournis dans les notes 5 et 7, respectivement.

L'incidence de la consolidation de la FCH sur les états financiers consolidés au 31 décembre 2005 est une augmentation de 72 751 millions de dollars (54 336 millions de dollars en 2004) des actifs et passifs consolidés, ainsi qu'une augmentation de 2 617 millions de dollars (1 906 millions de dollars en 2004) tant des revenus que des dépenses. Ainsi, il n'y a pas d'incidence sur le bénéfice net consolidé ou les bénéfices non répartis consolidés.

Instruments dérivés

La Société a recours à des instruments dérivés, tels que des swaps de taux d'intérêt ou de devises, pour gérer les risques de marché. Elle n'utilise pas d'instruments dérivés autonomes aux fins de transaction ni de spéculation.

Pour qu'un instrument dérivé puisse être considéré comme une couverture admissible aux fins comptables, il faut que la relation de couverture soit désignée et documentée en bonne et due forme au moment de sa mise en place. L'objectif et la stratégie de gestion des risques visés par la relation de couverture ainsi que l'actif, le passif ou le flux de trésorerie couvert et la façon dont l'efficacité de la relation de couverture sera mesurée doivent être documentés en bonne et due forme. En outre, des évaluations en bonne et due forme, au moment de la mise en place de la relation de couverture et périodiquement par la suite, sont effectuées pour déterminer si l'instrument dérivé utilisé est très efficace pour compenser les fluctuations de la juste valeur des éléments couverts ou des flux de trésorerie futurs attribuables à ceux-ci.

Pour tous les instruments dérivés de la FCH considérés comme des couvertures admissibles, les revenus et dépenses sont constatés à titre d'ajustements des revenus tirés des placements dans des TH LNH selon la méthode de la comptabilité d'exercice. Les montants connexes, payables aux contreparties ou exigibles de ces dernières, sont inclus dans les intérêts courus. Les gains ou les pertes découlant de la conversion de swaps de devises considérés comme des couvertures admissibles sont compensés par les gains ou les pertes résultant de la conversion des emprunts connexes.

La comptabilité de couverture cesse d'être appliquée de façon prospective si la relation de couverture n'est plus efficace, si l'instrument dérivé n'est plus désigné comme une couverture admissible ou si l'élément couvert arrive à échéance, est vendu ou est résilié. Les gains ou les pertes reportés, liés à des instruments dérivés qui ont été résiliés ou qui cessent d'être efficaces avant leur échéance, sont imputés aux résultats de l'exercice au cours duquel l'opération couverte sous-jacente est constatée. Si un élément couvert désigné est vendu, éteint ou vient à échéance avant la résiliation de l'instrument dérivé connexe, tout gain ou toute perte auparavant reportée(e) à l'égard de cet instrument dérivé est immédiatement imputée(e) aux résultats. L'instrument dérivé est alors inscrit au bilan consolidé, à sa juste valeur, à la date à laquelle la comptabilité de couverture cesse d'être appliquée et les fluctuations subséquentes de sa juste valeur sont imputées au poste Autres revenus.

Les instruments dérivés qui ne sont pas admissibles ou qui n'ont pas été désignés comme des couvertures admissibles aux fins comptables sont inscrits au bilan consolidé, à leur juste valeur, au poste *Montants se rapportant aux instruments dérivés* et les fluctuations subséquentes de leur juste valeur sont imputées au poste *Autres revenus*.

Impôts sur les bénéfices

La Société applique la méthode axée sur le bilan pour la comptabilisation des impôts sur les bénéfices. Aux termes de cette méthode, des actifs et passifs d'impôts futurs sont constatés selon l'incidence fiscale estimative des écarts temporaires entre la valeur comptable des actifs et des passifs et leur valeur fiscale respective, par application des taux d'imposition qui sont pratiquement en vigueur à la date du bilan.

Conversion des devises

Tous les actifs et les passifs monétaires, libellés en devises, sont convertis en dollars canadiens aux taux de change en vigueur à la date du bilan. Les gains ou les pertes découlant de la conversion des soldes libellés en devises sont inscrits au poste *Intérêts débiteurs*.

Provision pour indemnités

La provision pour indemnités correspond au montant estimatif des demandes d'indemnité prévues et des dépenses relatives aux indemnités versées, moins le produit prévu des saisies hypothécaires connexes, se rapportant aux défauts de paiement liés aux activités d'assurance, qui se sont produits à la date du bilan ou avant. La provision est calculée en tenant compte des tendances relatives aux pertes attribuables aux défauts de paiement, engagées mais non déclarées, et de la valeur temporelle de l'argent. De plus, une marge précise pour écarts défavorables a été prévue, conformément à la pratique actuarielle reconnue. Le calcul de la provision pour indemnités repose sur des estimations fondées sur les tendances historiques ainsi que sur les tendances à venir. La méthode d'établissement de la provision pour indemnités comporte nécessairement un risque que les pertes attribuables aux défauts de paiement réels et la révision de l'estimation de la provision pour indemnités sont comptabilisées au poste *Indemnités nettes*, durant l'exercice au cours duquel elles se produisent.

Application des programmes de logement

Les crédits parlementaires et les dépenses se rapportant à l'application des programmes de logement sont enregistrés selon la méthode de la comptabilité d'exercice. Les frais engagés, mais non remboursés, sont inscrits au poste *Sommes à recevoir du gouvernement du Canada*.

Avantages sociaux futurs

La SCHL a établi un régime de retraite à prestations déterminées et un régime de retraite complémentaire. Elle offre également d'autres avantages sociaux postérieurs à l'emploi, notamment une indemnité de départ, une assurance-vie et une assurance soins médicaux. Selon les modalités du régime de retraite à prestations déterminées, les prestations sont calculées en fonction du salaire moyen des cinq meilleures années consécutives du prestataire et de ses années de service. Elles sont indexées annuellement en fonction d'un pourcentage correspondant à l'augmentation moyenne de l'indice des prix à la consommation, enregistrée l'année précédente. Les obligations au titre des régimes et avantages et les frais connexes sont comptabilisés d'après la méthode de la provision pour indemnités, de la nature juridique, sociale et réglementaire, se rapportant aux événements à venir. La méthode d'établissement de la provision pour indemnités comporte nécessairement un risque que les pertes attribuables aux défauts de paiement réels et la révision de l'estimation de la provision pour indemnités sont comptabilisées au poste *Indemnités nettes*, durant l'exercice au cours duquel elles se produisent. Le calcul de la provision pour indemnités repose sur des estimations fondées sur les tendances historiques ainsi que sur les tendances à venir. La méthode d'établissement de la provision pour indemnités comporte nécessairement un risque que les pertes attribuables aux défauts de paiement réels et la révision de l'estimation de la provision pour indemnités sont comptabilisées au poste *Indemnités nettes*, durant l'exercice au cours duquel elles se produisent. Le coût des prestations et des autres avantages sociaux postérieurs à l'emploi auxquels les employés ont droit est déterminé par des calculs actuariels fondés sur la méthode de répartition des prestations au prorata des années de service et sur les meilleures estimations de la direction au sujet du rendement à long terme prévu des placements des régimes de retraite, des augmentations salariales, de l'âge auquel les employés prendront leur retraite, du taux de mortalité des membres et du coût prévu des soins de santé. Il s'agit d'hypothèses à long terme, qui tiennent compte de la nature des avantages sociaux futurs. Les résultats réels pourraient différer de ces estimations. Le coût des régimes de retraite comprend le coût des prestations pour services rendus au cours de l'exercice considéré, les intérêts débiteurs se rapportant à l'obligation au titre des prestations constituées, le rendement prévu de l'actif des régimes de retraite, fondé sur sa juste valeur, et l'amortissement de l'actif ou de l'obligation transitoire, des gains ou des pertes actuariels reportés et du coût reporté des services passés. L'actif ou l'obligation transitoire et le coût des services passés sont amortis sur la durée moyenne résiduelle d'activité des membres actifs des régimes de retraite. La perte ou le gain actuariel net excédant 10 % du solde de l'obligation au titre des prestations constituées ou de la juste valeur de l'actif des régimes de retraite, selon le plus élevé des deux, est amorti sur la durée moyenne résiduelle d'activité des membres actifs des régimes.

Titres vendus, mais non encore achetés

Les titres vendus, mais non encore achetés, représentent une obligation de livrer des titres non détenus au moment de la conclusion de la vente. Ces titres sont inscrits à leur juste valeur. Les gains et les pertes réalisés et non réalisés sont imputés au poste *Intérêts débiteurs*.

Biens immobiliers repris

Les biens immobiliers repris sont inscrits au coût ou à leur juste valeur, selon le moins élevé des deux. Le coût correspond au coût d'acquisition, plus les frais de modernisation et d'amélioration, le cas échéant. La juste valeur équivaut à la valeur marchande courante de la propriété, moins la valeur actualisée des frais estimatifs de possession et de cession.

Pour certains biens immobiliers, les pertes d'exploitation nettes et les pertes sur cession sont remboursées par l'entremise des crédits partementaires, tandis que les bénéfices d'exploitation nets et les gains sur cession sont versés au gouvernement du Canada.

Emprunts sur les marchés de capitaux

Les frais d'émission des titres d'emprunt sur les marchés de capitaux sont reportés et amortis sur la durée de l'emprunt selon la méthode linéaire. Les primes et les escomptes s'appliquant aux emprunts sur les marchés de capitaux sont reportés et amortis selon un taux de rendement constant, sur la durée des emprunts.

Obligations hypothécaires du Canada

Les OHC sont des obligations garanties par la SCHL, sans amortissement et portant intérêt. Les intérêts calculés au coupon sont versés semestriellement dans le cas des OHC à taux fixe et trimestriellement pour les OHC à taux variable. Les remboursements du principal des obligations sont faits à la fin du terme. Ils sont comptabilisés en fonction du montant reçu au comptant et toute prime ou tout escompte est imputé aux intérêts débiteurs selon l'amortissement linéaire, sur la durée d'échéance. Les intérêts sont constatés selon la méthode de la comptabilité d'exercice. Les coûts directs liés à l'émission d'OHC sont constatés pendant l'exercice au cours duquel ils sont engagés. Les vendeurs agréés de TH LNH remboursent à la FCH les coûts liés au financement fourni pour l'achat des TH LNH. Cela comprend les honoraires de la SCHL en tant que garant et conseiller en services financiers, des preneurs fermes et des parties chargées de la distribution des OHC.

Primes et droits

Les primes d'assurance sont exigibles au moment de l'octroi du prêt assuré. Elles sont reportées et comptabilisées comme revenu pendant la période couverte par les polices d'assurance, conformément à des facteurs déterminés par un actuaire désigné. Ces facteurs tiennent compte des tendances à long terme en ce qui a trait au risque de défaut selon l'âge de la police d'assurance prêt hypothécaire.

Les primes non acquises représentent le montant des primes souscrites s'appliquant à la portion non échue de la police à la date du bilan et, par conséquent, elles sont liées aux demandes d'indemnité susceptibles d'être présentées entre la date du bilan et l'échéance des polices d'assurance. Annuellement, le montant des primes non acquises est comparé avec une estimation relative à la valeur actualisée des indemnités totales qui seront payées afin de vérifier si ce montant est suffisant.

Les droits de garantie se rapportant aux activités de titrisation sont perçus au moment de l'émission des titres visés. Ils sont reportés et comptabilisés comme revenu selon la méthode linéaire, pendant la durée des titres correspondants (généralement 5 ans).

Les droits de demande et les coûts liés à l'émission des polices d'assurance prêt hypothécaire et à la garantie de paiement ponctuel sont comptabilisés selon la méthode de la comptabilité d'exercice.

Valeur comptable	Constatation des gains et des pertes réels	Constatation de la moins-value
Octroi de prêts — Placements utilisés aux fins de gestion de la trésorerie ou servant à gérer le risque de taux d'intérêt pesant sur les activités d'octroi de prêts	Les primes et les escomptes sont reportés et amortis, selon un taux de rendement constant, jusqu'à l'échéance des titres visés.	Si des titres subissent une moins-value durable, ils sont réduits à leur valeur marchande. La perte en décaissant est comptabilisée en décaissant au cours duquel la moins-value se produit.
Assurance et titrisation — (excluant la FCH) — Titres à revenu fixe généralement achetés avec l'intention de les conserver jusqu'à leur échéance, afin de respecter des obligations à long terme	Fraction non amortie du coût. Les primes et les escomptes sont reportés et amortis, selon un taux de rendement constant, jusqu'à l'échéance des titres visés.	Si des titres subissent une moins-value durable, ils sont réduits à leur valeur marchande. La perte en décaissant est comptabilisée en décaissant au cours duquel la moins-value se produit.
Assurance et titrisation (excluant la FCH) — Actions	Coût majoré d'un ajustement, fondé sur la moyenne mobile des valeurs marchandes, de 5 % par trimestre.	Si le portefeuille subit une moins-value durable, les titres sont réduits à leur valeur marchande. La perte en décaissant est comptabilisée en décaissant au cours duquel la moins-value se produit.
Fiducie du Canada pour Placements	Fraction non amortie du coût. Les primes et les escomptes sont reportés et amortis, selon la méthode linéaire, jusqu'à l'échéance des titres visés.	Les gains et les pertes sont imputés aux résultats au moment de la vente.
Fiducie du Canada pour Placements dans des titres hypothécaires LNH	Fraction non amortie du coût. Les primes et les escomptes sont reportés et amortis selon la méthode linéaire accélérée pour les remboursements de principal imprévus.	Les gains et les pertes sont imputés aux résultats au moment de la vente.

Placements et équivalents

La trésorerie et les équivalents sont composés de l'encaisse et des placements à court terme très liquides (principalement des titres de sociétés) dont la durée à l'échéance est d'au plus 98 jours, qui sont facilement convertibles en un montant connu et dont la valeur ne risque pas de changer de façon significative. Ces placements sont inscrits au coût ou à la valeur marchande, selon le moins élevé des deux. Les gains et les pertes sur la vente d'équivalents sont imputés aux revenus de placement au moment de la vente. La cote de solvabilité des équivalents doit être d'au moins R-1 (faible).

Titres acquis en vertu de conventions de revente et titres vendus en vertu de conventions de rachat

Les titres acquis en vertu de conventions de revente (prise en pension de titres), normalement des bons du Trésor ou des obligations d'État, doivent être revendus au vendeur initial à une date et à un prix prédéterminés. Les titres vendus en vertu de conventions de rachat (mise en pension de titres) doivent être rachetés de l'acquéreur initial à une date et à un prix prédéterminés. Les titres sont inscrits au coût, plus les intérêts courus. Le produit tiré des titres vendus en vertu de conventions de rachat est investi dans le but de générer un revenu additionnel. De telles transactions sont effectuées simultanément de sorte que le vendeur n'est pas affecté par le risque de change. Par conséquent, les intérêts créditeurs et les intérêts débiteurs sont imputés aux résultats selon la méthode de la comptabilité d'exercice.

2. PRINCIPALES CONVENTIONS COMPTABLES

Les présents états financiers consolidés sont dressés conformément aux principes comptables généralement reconnus du Canada. Pour ce faire, la direction doit établir des estimations et des hypothèses ayant une incidence sur les montants indiqués dans les états financiers et sur les informations connexes. Les résultats réels pourraient différer de ces estimations.

Mode de présentation

Les présents états financiers consolidés reflètent les comptes de la Société canadienne d'hypothèques et de logement et, conformément à la Note d'orientation concernant la comptabilité n° 15 intitulée *Consolidation des entités à détenteurs de droits variables* (ci-après, la « NOC-15 ») publiée par l'Institut Canadien des Comptables Agréés (voir la note 3), les comptes de la Fiducie du Canada pour l'habitation, une entité à détenteurs de droit variables (ci-après, une « EDDV ») pour laquelle la SCHL est considérée la principale bénéficiaire. Les actifs et passifs de la FCH ne constituent pas des actifs et passifs de la SCHL et sont donc présentés séparément dans les états financiers consolidés et les notes complémentaires. Les revenus, charges et flux de trésorerie de la FCH sont traités de la même manière. Les soldes et opérations interentités ont été éliminés des données consolidées.

Prêts et investissements se rapportant aux programmes de logement

Les prêts sont inscrits au coût. Les prêts comportant une clause de remise sont comptabilisés déduction faite de la remise, qui est remboursée par l'entremise des crédits parlementaires au moment où les prêts sont versés.

Les investissements relatifs aux programmes de logement, qui représentent la part de la SCHL dans divers ensembles d'habitation, sont inscrits au coût moins l'amortissement cumulé, lequel est calculé selon la méthode linéaire sur la durée de l'investissement. La quote-part de la SCHL relativement aux pertes d'exploitation nettes ainsi qu'aux pertes sur cession est remboursée par l'entremise des crédits parlementaires.

Les intérêts créditeurs sur les prêts et les investissements se rapportant aux programmes de logement sont comptabilisés selon la méthode de la comptabilité d'exercice.

Le recouvrement intégral du principal et des intérêts courus sur la majeure partie des prêts et investissements se rapportant aux programmes de logement est garanti comme il est indiqué à la note 4.

1. MANDAT DE LA SOCIÉTÉ

Les présents états financiers consolidés reflètent les comptes de la Société canadienne d'hypothèques et de logement (ci après, la « SCHL ») et de la Fiducie du Canada pour l'habitation (ci après, la « FCH »), une entité à détenteurs de droit variables. Le mandat de la Société consiste à favoriser la construction, la réparation et la modernisation d'habitations, l'amélioration des conditions de logement et de vie, l'abordabilité et l'accroissement des choix en matière de logement, l'accès à des fonds à faible coût pour l'habitation et la prospérité du secteur canadien de l'habitation.

La SCHL est une société d'État créée en 1946, par suite de l'adoption de la Loi sur la Société canadienne d'hypothèques et de logement (ci-après, la « Loi sur la SCHL »), afin de respecter les dispositions de la Loi nationale sur l'habitation (ci-après, la « LNH »). Elle est également régie par la Loi sur la gestion des finances publiques (ci-après, la « LGFP ») et elle est la propriété exclusive du gouvernement du Canada.

La FCH a été établie en 2001 en tant que fiduciaire émetteur. Les activités de la FCH se limitent à l'acquisition de participations dans des prêts à l'habitation admissibles comme les titres hypothécaires émis en vertu de la Loi nationale sur l'habitation (ci-après, les « TH LNH »), à l'acquisition de placements hautement cotés, à la réalisation de certaines opérations de couverture connexes et à l'émission d'obligations hypothécaires du Canada (ci-après, les « OHC »). Les OHC sont garanties par la SCHL dans le cadre des activités de titrisation de cette dernière. Les bénéficiaires de la FCH, déduction faite du paiement des obligations, sont des organisations caritatives.

La Société s'acquitte de son mandat dans le cadre des activités suivantes :

Assurance : la SCHL protège les prêteurs contre la défaillance des emprunteurs ayant contracté un prêt hypothécaire résidentiel.

Titrisation : la SCHL garantit le paiement ponctuel du principal et des intérêts aux détenteurs de titres fondés sur des obligations hypothécaires. La SCHL est une obligation directe et inconditionnelle de la SCHL, à titre de mandataire de l'État, elle jouit de la reconnaissance totale du Canada et elle constitue une obligation directe et inconditionnelle du gouvernement du Canada.

Application des programmes de logement : la SCHL reçoit des crédits parlementaires qui servent à financer les programmes de logement.

Octroi de prêts : la SCHL consent des prêts et effectue des investissements dans le cadre des programmes de logement. Ces prêts et ces investissements sont financés au moyen d'emprunts et sont assortis, dans une large mesure, de subventions versées conformément à ces programmes.

Dans les Comptes publics du Canada, le bénéfice net annuel de la Société entraîne un accroissement de l'excédent annuel du gouvernement; son capital et ses bénéfices non répartis occasionnent une réduction du déficit accumulé du gouvernement.



(en millions de dollars)		2005	2004	2003
Consolidé				
SCHL				
FCH				
		2005	2004	2003

FLUX DE TRÉSORERIE PROVENANT DES (AFFECTÉS AUX) ACTIVITÉS D'EXPLOITATION						
Bénéfice net	1 002	950	667	1 002	950	667
et les équivalents						
Amortissement des primes et des escomptes	(30)	(14)	(2)	32	12	23
Impôts futurs	(31)	(11)	(43)	(31)	(11)	(43)
Ajustement de la valeur marchande des actions	(57)	(32)	(5)	(57)	(32)	(5)
Gain sur la vente de placements	(54)	(53)	(46)	(54)	(53)	(46)
Fluctuation nette de l'actif et du passif	364	132	382	356	129	382
d'exploitation sans incidence sur la trésorerie	1 194	972	953	1 248	995	978
						(54)
						8
						3
						(25)

FLUX DE TRÉSORERIE PROVENANT DES (AFFECTÉS AUX) ACTIVITÉS D'INVESTISSEMENT		Placements dans des titres hypothécaires LNH									
		15 406	9 485	5 624	—	—	—	—	—	—	—
	Prêts et investissements se rapportant aux Achats	(27 901)	(27 237)	(21 588)							
	programmes de logement	706	673	715							
	Remboursements	(211)	(267)	(204)							
	Sorties de fonds	12 124	8 273	12 076							
	Ventes et titres échus	(13 771)	(9 459)	(9 766)							
	Fluctuation du montant des titres acquis en vertu de conventions de revente	(3 464)	(262)	891							
(17 111)		(18 794)	(16 076)	(274)	(1 105)	(124)	(17 416)	(18 169)	(16 201)		
		15 406	9 485	5 624	—	—	—	—	—		
	Placements dans des titres hypothécaires LNH	(27 901)	(27 237)	(21 588)							
	Remboursements	15 406	9 485	5 624							
	Prêts et investissements se rapportant aux Achats	(27 901)	(27 237)	(21 588)							
	programmes de logement	706	673	715							
	Remboursements	(211)	(267)	(204)							
	Sorties de fonds	12 124	8 273	12 076							
	Ventes et titres échus	(13 771)	(9 459)	(9 766)							
	Fluctuation du montant des titres acquis en vertu de conventions de revente	(3 464)	(262)	891							
(17 111)		(18 794)	(16 076)	(274)	(1 105)	(124)	(17 416)	(18 169)	(16 201)		

[illegible]

Voir les notes complémentaires des états financiers consolidés.

ÉTAT CONSOLIDÉ DES BÉNÉFICES NON RÉPARTIS (NOTE 11)

(en millions de dollars)				
Bénéfices non répartis non affectés	Bénéfices affectés à la capitalisation	Réserve pour l'octroi de prêts	Total	
348	1 380	56	1 784	
Bénéfice net	—	35	667	
Virement aux bénéfices affectés à la capitalisation	857	—	—	
Solde au 31 décembre 2002	123	91	2 451	
Bénéfice net	907	43	950	
Virement aux bénéfices affectés à la capitalisation	(875)	—	—	
Solde au 31 décembre 2003	155	134	3 401	
Bénéfice net	993	9	1 002	
Virement aux bénéfices affectés à la capitalisation	(294)	—	—	
Solde au 31 décembre 2004	854	3 406	4 403	
Solde au 31 décembre 2005	854	3 406	4 403	

Voir les notes complémentaires des états financiers consolidés.

ÉTAT CONSOLIDÉ DES RÉSULTATS

Exercice terminé le 31 décembre

REVENUS									
(en millions de dollars)									
Notes									
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	2005	2004	2005	2004	2005	2004	2005	2004
En millions de dollars	100	100	100	100	100	100	100	100
FCM	100	100	100	100	100	100	100	100
SCHL	100	100	100	100	100	100	100	100
2004	2005	2004	2005	2004	2005	2004	2005	2004

ACTIF

2014-2015	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010
51 373	63 931	—	—	51 373	—
Placements dans des titres hypothécaires LNH	5	13 170	13 669	13 669	13 170
Prêts et investissements se rapportant aux programmes de logement	4	13 170	13 669	13 669	13 170
Placements	5	11 242	8 637	10 021	8 594
Trésorerie et équivalents	6 975	5 264	3 967	2 841	3 008
2 423	3 928	576	332	669	502
Intérêts courus à recevoir	999	829	336	179	203
Débiteurs et autres éléments d'actif	233	179	233	179	203
Sommes à recevoir du gouvernement du Canada	212	203	212	203	212
Actifs d'impôts futurs	143	111	143	111	87
Biens immobiliers repris	74	87	74	87	80
Montants se rapportant aux instruments dérivés	74	80	74	80	74

PASSIF

7	72 075	53 834	—	—	54 468	Obligations hypothécaires du Canada
7	9 467	9 207	9 467	9 207	—	Emprunts sur les marchés de capitaux
7	4 899	5 045	4 899	5 045	—	Emprunts auprès du gouvernement du Canada
—	—	—	—	—	—	Primes et droits non acquis
—	—	—	—	—	—	Titres vendus en vertu de conventions de rachat
9	960	870	959	869	1	Créiteurs et autres charges à payer
8	922	629	247	128	681	Intérêts courus à payer
—	479	507	479	507	—	Provision pour indemnités
—	111	121	111	121	—	Titres vendus, mais non encore achetés
—	14	38	14	38	—	Montants se rapportant aux instruments dérivés
96 665	77 582	23 914	23 246	73 208	54 975	

AVOIR DU CANADA

[illegible]

Voir les notes complémentaires des états financiers consolidés.

Approuvé par le Conseil d'administration :

Le Président du Conseil d'administration,

Dino Chiesa

Sophie Joncas

La Présidente du Comité de vérification,

Raymond Chabot Grant Thornton

Auditor General of Canada
Vérificatrice générale du Canada

RAPPORT DES VÉRIFICATEURS

À la ministre des Ressources humaines et du Développement social

Nous avons vérifié le bilan consolidé de la Société canadienne d'hypothèques et de logement au 31 décembre 2005 et les états consolidés des résultats, des bénéfices non répartis et des flux de trésorerie de l'exercice terminé à cette date. La responsabilité de ces états financiers incombe à la direction de la Société. Notre responsabilité consiste à exprimer une opinion sur ces états financiers en nous fondant sur notre vérification.

Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues du Canada. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir l'assurance raisonnable que les états financiers sont exempts d'ineffectivités importantes. La vérification comprend le contrôle par sondages des éléments probants à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

À notre avis, ces états financiers consolidés donnent, à tous les égards importants, une image fidèle de la situation financière de la Société au 31 décembre 2005 ainsi que des résultats de son exploitation et de ses flux de trésorerie pour l'exercice terminé à cette date selon les principes comptables généralement reconnus du Canada. Conformément aux exigences de la Loi sur la gestion des finances publiques, nous déclarons qu'à notre avis, compte tenu de l'application rétroactive du changement apporté à la méthode de comptabilisation de la Fiducie du Canada pour l'habitation expliqué à la note 3 afférente aux états financiers, ces principes ont été appliqués de la même manière qu'au cours de l'exercice précédent.

De plus, à notre avis, les opérations de la Société dont nous avons eu connaissance au cours de notre vérification des états financiers consolidés ont été effectuées, à tous les égards importants, conformément à la partie X de la Loi sur la gestion des finances publiques et ses règlements, à la Loi sur la Société canadienne d'hypothèques et de logement, à la Loi nationale sur l'habitation et aux règlements administratifs de la Société.

La vérificatrice générale du Canada,

Sheila Fraser

Sheila Fraser, FCA

Raymond Chabot Grant Thornton, S.E.N.C.R.L.
Comptables agréés

Montréal, Canada

Ottawa, Canada
Le 17 mars 2006

LES RAPPORTS FINANCIERS UNE RESPONSABILITÉ DE LA DIRECTION

EXERCICE TERMINÉ LE 31 DÉCEMBRE 2005

La direction de la SCHL est tenue de garantir l'intégrité et l'objectivité des états financiers consolidés et des données financières comptables généralement reconnus du Canada et, par conséquent, ils contiennent des chiffres fondés sur les meilleures estimations de la direction et sur l'exercice, par cette dernière, du meilleur jugement possible. Les données financières mentionnées ailleurs dans le présent rapport annuel concordent avec celles qui sont présentées dans les états financiers

Pour s'acquitter de ses responsabilités, la direction tient à jour les systèmes financiers appropriés et exerce les contrôles internes connexes ainsi que les contrôles comme garant de la Fiducie du Canada pour l'habitation qui lui permettent, avec un degré d'assurance raisonnable, de produire des données financières fiables, de protéger les actifs de la Société; d'autoriser, ses opérations et de les diriger conformément aux lois et règlements qui la régissent, de gérer ses ressources de manière efficiente et d'exercer efficacement ses activités. Les systèmes de contrôle interne sont renforcés par des vérifications internes périodiques portant sur différents aspects des activités.

Pour sa part, le Conseil d'administration, par l'entremise du Comité de vérification, dont les membres ne sont pas des dirigeants de la Société, veille à ce que la direction s'acquitte de ses responsabilités en matière de présentation de l'information financière, de contrôle interne et de contrôles en tant que garant de la Fiducie du Canada pour l'habitation. Le Conseil d'administration a approuvé les états financiers consolidés, sur la recommandation du Comité de vérification.

Raymond Chabot Grant Thornton S.E.N.C.R.L. et Sheila Frasen, FCA, vérificatrice générale du Canada, ont vérifié les états financiers consolidés. Les vérificateurs indépendants ont pleinement accès aux membres du Comité de vérification et ils les rencontrent régulièrement pour discuter de leur vérification et de questions connexes.

La Présidente et première dirigeante, Le Vice-président, Finances, et directeur financier,



De la Société
Jean Hou

Le 17 mars 2006

États financiers
Notes complémentaires des
états financiers consolidés

ÉTATS FINANCIERS

À l'heure actuelle, la SCHL n'affecte aucune partie de ses bénéfices non répartis aux fins de capitalisation de ses activités de titrisation. Ces dernières ne sont pas assujetties à des exigences en matière de capital réglementaire comparables à celles applicables aux activités d'assurance. La SCHL verse annuellement un droit au gouvernement du Canada en contrepartie de l'avai de ce dernier à l'égard des activités de titrisation. Le droit est fondé sur le montant maximal des pertes prévues se rapportant aux nouvelles garanties fournies pendant l'exercice. Un scénario de taux d'intérêt défavorables à raison de 1 pour 20 incluant la défaillance d'une contre-partie de swap sert à calculer le montant maximal des

Dans l'avenir, la SCHL mettra encore l'accent sur la gestion des risques en entreprise tout en prêtant attention plus particulièrement aux risques liés à ses secteurs d'activité. La SCHL note ses gestionnaires et ses employés à continuer de renforcer les pratiques de gestion des risques afin de tenir compte de l'évolution rapide du contexte opérationnel.

Les principaux défis qui se posent comprennent les changements sur le plan de la réglementation et de la concurrence, les nouveaux produits d'assurance et de titrisation et les nouveaux défis liés aux risques d'entreprise. En plus de relever les défis liés aux risques financiers, la SCHL fera en sorte que ses employés aient une meilleure connaissance générale des risques et elle améliorera l'évaluation et la présentation des risques. Elle continuera de renforcer son processus de gestion des risques en entreprise dans le cadre de sa planification stratégique afin d'être plus flexible dans le but de relever ces défis.

La Société continuera d'élaborer et d'intégrer des concepts de capital de risque à la constitution de réserves, à l'établissement des tarifs, à la mesure du rendement fondé sur les risques, à l'affectation des ressources et à la création de nouveaux produits, services et stratégies financières.



GESTION DES CAPITAUX

La SCHL, en vertu de sa loi habilitante et compte tenu de son statut de société d'État, a la solvabilité soutenue du Canada, comme l'illustrent les cotes de crédit AAA attribuées à ses titres d'emprunt. Sous réserve de son mandat et de ses objectifs d'intérêt public, la Société s'efforce d'appliquer les pratiques de gestion des risques du secteur privé qui conviennent à ses activités.

Activités d'octroi de prêts

Au 31 décembre 2005, le capital autorisé et entièrement libéré inclus dans l'avis de du Canada, relativement à l'octroi de prêts, s'élève à 25 millions de dollars. Pour se protéger contre des pertes éventuelles, la SCHL est également autorisée à conserver le bénéfice net annuel tiré des activités d'octroi de prêts dans une réserve actuellement plafonnée à 175 millions de dollars. Cette réserve comprend une tranche de 50 millions de dollars pour les fluctuations du bénéfice net, découlant de la NOC-13 (note d'orientation concernant la comptabilité et portant sur les relations de couverture), et le solde sert à couvrir les pertes éventuelles attribuables aux remboursements anticipés. À l'heure actuelle, la réserve pour l'octroi de prêts s'élève à 143 millions de dollars, dont 21 millions de dollars au titre de la NOC-13.

Activités d'assurance

La SCHL veille à la viabilité financière de ses activités d'assurance en constituant des réserves pour obligations aux termes des polices d'assurance, conformément aux normes actuarielles, et en affectant ses bénéfices en vue de satisfaire aux normes de fonds propres établies par le Bureau du surintendant des institutions financières (BSIF). Le BSIF a élaboré un cadre de surfisance du capital fondé sur les risques, qui définit les exigences en matière de capital réglementaire pour les assureurs multirisques canadiens, y compris les fournisseurs d'assurance prêt hypothécaire. Même si elle n'est pas réglementée par le BSIF, la SCHL applique les lignes directrices du BSIF parce que celles-ci constituent des pratiques commerciales prudentes et garantissent des règles du jeu équitables entre la Société et le secteur privé.

Une évaluation actuarielle annuelle indépendante permet d'établir le montant approprié des réserves pour obligations aux termes des polices d'assurance en vigueur, conformément aux pratiques actuarielles reconnues.

Agence de cotation	Court terme			Long terme (dollars canadiens)			Long terme (devises)		
	DBRS	Moody's	Standard & Poor's	R-1 (élevé)	P-1	A-1 (élevé)	AAA	Aaa	AAA

La capacité de la SCHL à s'acquitter de ses obligations financières est renforcée par son statut de société d'État. De fait, ses titres d'emprunt constituent des obligations du Canada et ont une pondération du risque de 0 % selon le Bureau du surintendant des institutions financières (BSIF). La Société a élaboré une ligne de conduite sur le risque d'illiquidité comprenant les limites appropriées et faisant en sorte que la SCHL dispose des ressources suffisantes pour répondre à ses besoins de trésorerie courants et prévus. Dans le cours normal des activités commerciales de la SCHL, le programme de papier commercial permet à celle-ci de maintenir les liquidités nécessaires pour répondre chaque jour à ses besoins de trésorerie. Conformément à cette ligne de conduite, la SCHL a recours à d'autres sources de liquidités, notamment les facilités de trésorerie, les marges de crédit consenties par plusieurs institutions, la trésorerie et les placements à court terme dans des titres négociables. Le tableau ci-joint présente les cotes de crédit de la SCHL.



La SCHL est exposée au risque de taux d'intérêt quand les paiements de principal et d'intérêts sur les actifs d'échéance qui diffèrent. Pour la SCHL, le risque de taux d'intérêt dépend de l'importance et de la tendance de l'évolution des taux ainsi que de la taille et de l'échéance des positions non concordantes. La SCHL réduit le risque de marché en veillant à la concordance des actifs et passifs et à la couverture des taux de change au moyen de swaps de devises.

Le risque de marché de la SCHL auquel la Société est exposée dépend également des nouveaux prêts, des prêts renouvelés et des options intégrées comme le remboursement anticipé. Le risque de remboursement anticipé et de révision des taux est géré conformément à diverses stratégies de financement et d'exploitation et couvert par le maintien d'un fonds de réserve pour les besoins de liquidité et de trésorerie.

Selon la ligne de conduite en vigueur la tolérance de la SCHL au risque de taux d'intérêt (soit la sensibilité maximale de la marge d'intérêts nette aux fluctuations des taux d'intérêt avec un intervalle de confiance de 95 %) ne peut dépasser 1,5 million de dollars sur un horizon de 12 mois. Pour le portefeuille de prêts, cette sensibilité était de 0,4 million de dollars au 31 décembre 2005 (contre 0,3 million de dollars à la fin de 2004), ce qui est conforme à la ligne de conduite sur le risque de marché. En outre, la Société mesure l'incidence de fluctuations parallèles de 200 points de base sur la marge d'intérêts nette et la valeur économique pour s'assurer que le risque de taux d'intérêt ne dépasse pas sa tolérance.

Variation estimative de la valeur du portefeuille en fonction des fluctuations parallèles de taux (en millions de dollars)	
31 décembre 2005	
Portefeuille de prêts	
Hausse de 200 points de base	29
Baisse de 200 points de base	-45

Autres risques financiers

Pour ses activités de titrisation, la SCHL a réduit le risque de marché découlant de la garantie fournie à l'égard de la FCH au moment de la conception de cette dernière sur le plan interne, de telle manière que les swaps sont structurés pour transférer les risques de remboursement anticipé et de réinvestissement à des contreparties hautement cotées.

Fiducie du Canada pour l'habitation

0,32 année

La SCHL présente également, chaque trimestre, l'écart de durée des prêts du portefeuille. L'écart de durée des actifs et passifs du portefeuille, il indique à quel point les flux de trésorerie estimatifs liés aux actifs et passifs concordent en moyenne au fil du temps. Si l'écart est positif, le risque est plus élevé en cas de hausse des taux d'intérêt parce que la durée des actifs est supérieure à celle des passifs. Si l'écart est négatif, le risque est plus élevé en cas de baisse des taux d'intérêt parce que la durée des actifs est inférieure à celle des passifs. À la fin de l'exercice à l'étude, l'écart de durée des prêts directs était de 0,05 année, et celui des prêts existants, de

La Société examine régulièrement les changements apportés à la réglementation financière, notamment les travaux courants visant à évaluer l'incidence des derniers développements en matière de fiscalité et de comptabilité de couverture ainsi que la ligne directrice sur les normes de fonds propres, qui sont susceptibles d'influer sur les parties prenantes des marchés financiers. La Société continue également de consolider son cadre de gestion des risques en fonction des normes de fonds propres et des principes de gestion de la valeur, conformément aux pratiques appliquées par les principales institutions financières et aux lignes directrices établies par les organismes de réglementation. Cela lui a permis d'améliorer considérablement sa gestion et la mesure de son rendement.

Résultats des simulations sur les valeurs à revenu fixe selon des variations de 5 %	Variation la plus favorable	Variation la moins favorable
(%)	(%)	(%)
de 5 %	de 5 %	de 5 %

Portefeuille de placements de l'assurance	Indice repère (IOUSC)	Portefeuille vs indice
2,56	2,50	0,10
-3,86	-3,78	-0,10

La volatilité annualisée des rendements des portefeuilles de l'assurance et de la titrisation, selon les données mensuelles mobilières pour les trois derniers exercices terminés le 31 décembre, s'est élevée à 3,55 % et à 3,54 %, respectivement, pour les valeurs à revenu fixe incluses dans les portefeuilles. Pendant la même période, la volatilité de l'indice repère s'est établie à 3,56 %. La volatilité des valeurs à revenu fixe incluses dans les portefeuilles de placements de l'assurance et de la titrisation a été constamment semblable à celle de l'indice, ce qui signifie que les valeurs à revenu fixe sont assorties d'un profil des risques comparable à celui de l'indice repère. La volatilité s'est légèrement accrue en 2005, ce qui a été généralement le cas sur le marché canadien des valeurs à revenu fixe.

Activités d'octroi de prêts

La SCHL a comme objectif de protéger la juste valeur de ses prêts et de réduire la volatilité de la marge d'intérêts nette au fil du temps. L'évaluation des actifs et passifs du portefeuille de prêts et du risque hors bilan est effectuée au moins une fois par trimestre.

La majeure partie des actifs des portefeuilles de placements se rapportant aux activités d'assurance et de titrisation est constituée de valeurs à revenu fixe.

Puisque la durée des placements doit être prise en considération pour réduire le risque de taux d'intérêt lié aux valeurs à revenu fixe, la durée de celles-ci est gérée selon une fourchette fondée sur la durée de l'indice repère, soit l'indice obligataire universel Scotia Capitaux (IOUSC). Au 31 décembre 2005, la durée des valeurs à revenu fixe incluses dans les portefeuilles de placements de l'assurance et de la titrisation était légèrement supérieure à celle de l'indice repère.

Les simulations de fluctuation des taux d'intérêt permettent aussi de mesurer la sensibilité aux taux d'intérêt des valeurs à revenu fixe incluses dans le portefeuille de placements de l'assurance par rapport à l'indice repère. Cela aide à déterminer le niveau de risque quand les caractéristiques du portefeuille (comme la pondération de la durée sur la courbe des taux ou la convexité) diffèrent légèrement de celles de l'indice. À la fin de décembre 2005, le portefeuille était semblable à l'indice sur le plan de la sensibilité aux taux d'intérêt. En comparant le portefeuille et l'indice à ce moment-là, il apparaît que le portefeuille était structuré de manière à gagner ou à perdre éventuellement 10 points de base selon les variations extrêmes sur un horizon trimestriel (voir le tableau ci-contre).

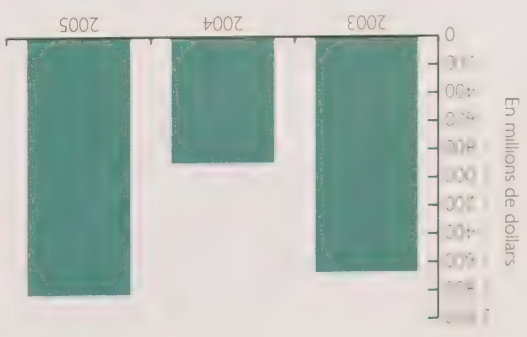
La SCHL mesure également l'incidence de fluctuations parallèles, des taux d'intérêt de 50 points de base, sur les valeurs à revenu fixe et compare les fluctuations avec celles de la valeur marchande des titres faisant partie de l'indice repère. Selon les résultats présentés dans le tableau ci-dessous, le risque de taux d'intérêt des portefeuilles est comparable à celui de l'indice repère, à la fin de l'exercice à l'étude.

Valeurs à revenu fixe incluses dans les portefeuilles de l'assurance et de la titrisation	Durée (années)	Durée	Variation (en %) de la valeur marchande du portefeuille (fluctuation de + 0,50 %)	Variation (en millions de dollars) de la valeur du portefeuille (fluctuation de + 0,50 %)	Variation (en millions de dollars) de l'indice repère (fluctuation de + 0,50 %)
Indice repère (IOUSC)	6,51	—	—	—	—
Assurance	6,63	0,12	-3,31	-251,7	-247,2
Titrisation	6,63	0,12	-3,31	-9,0	-8,8

Risques de marché

Juste valeur du risque lié aux opérations de placement et de couverture

Activités de prêts



Au 31 décembre 2005, la trésorerie et le principal réin-vesti totalisaient 1 196 millions de dollars, par rapport à 1 196 millions de dollars à la fin de l'exercice précédent. À cette date, le risque de crédit lié aux actifs d'octroi de prêts décollait également de placements de 331 millions de dollars dans des instruments à court terme, haute-ment cotés, se rapportant aux conventions de rachat ou de vente conclues, comparativement à 168 millions de

La Société utilise des swaps combinés d'intérêts et de devises pour couvrir le risque de marché lié à son portefeuille de prêts directs. Le risque de contrepartie est atténué en appliquant des critères rigoureux concernant les cotés de crédit et en réalisant les garanties lorsque le risque auquel la Société est exposée dépasse le seuil convenu en fonction de la cote de crédit de la contrepartie concernée. Au 31 décembre 2005, l'évaluation à la valeur de marché nette des swaps s'établissait à 20,8 millions de dollars.

Seuil du risque en fonction de la cote de crédit	
(cote équivalente de S&P)	
(en millions de dollars)	
AAA	250
AA+	200
AA	150
AA-	100
A+	75
A	35
A-	15

Le risque de marché est lié à des conséquences financières défavorables découlant de l'évolution de la conjoncture du marché. Il comprend les conséquences éventuelles, sur les résultats et la valeur économique de la SCHL, de l'évolution défavorable de facteurs comme les taux d'intérêt ou de change et le cours des actions. Le risque de marché auquel la SCHL est exposée fluctue en fonction de la dynamique du marché et de l'évolution de la composition de l'actif et du passif de ses portefeuilles. Les conséquences éventuelles sur les résultats et la valeur économique de la SCHL peuvent découler de l'évolution défavorable de facteurs comme les taux d'intérêt ou de change, les valeurs des immeubles résidentiels et le cours des actions. La Société a établi des lignes de conduite et des limites pour contrôler le risque de marché lié à ses opérations commerciales et à la gestion de l'actif et du passif. Ces lignes de conduite et ces limites sont révisées annuellement, au besoin. Le rendement par rapport à ces lignes de conduite et à ces limites est présenté chaque trimestre au Conseil d'administration.

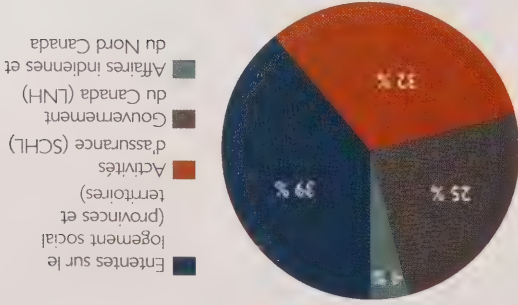
La SCHL limite le risque de perte découlant des fluctuations défavorables des taux d'intérêt ou de change en réalisant des opérations de couverture, en veillant à la concordance des actifs et des passifs et en adoptant des stratégies adaptées aux marchés de capitaux.

Activités d'assurance et de titrisation

Le risque de marché lié aux activités d'assurance de la SCHL découle de l'évolution du portefeuille de placements connexe et de l'incidence des fluctuations des taux d'intérêt et de la valeur des immeubles résidentiels, ce qui peut influencer sur la fréquence et l'importance des demandes d'indemnité relatives aux polices en vigueur. Les portefeuilles de placements de l'assurance et de la titrisation sont gérés en limitant la sensibilité des cours aux fluctuations des taux d'intérêt par rapport aux indices repères et en veillant à la diversification appropriée des actifs.

Il importe de noter qu'aux termes de la stratégie de diversification de la SCHL, les portefeuilles d'actions LAF (Europe, Australasie et Extrême Orient) et d'actions américaines ne sont pas couverts contre les fluctuations monétaires.

Ocroi de prêts :
Recouvrement des pertes



Un cadre de référence a été élaboré pour la gestion des

cas de défaut de remboursement des prêts inclus dans le portefeuille de la SCHL. Quand un prêt cesse d'être remboursé, une analyse de faisabilité est effectuée pour déterminer la valeur de la propriété et de la garantie, puis des sauvetages sont entrepris au cas par cas.

L'accent est mis sur la détection précoce, la transmission périodique de renseignements sur les ensembles en difficulté, la recherche de solutions pour régler les défauts et l'application d'un processus continu de surveillance, de présentation de l'information et d'approbation. Dans les très rares cas où des preuves suffisantes et contraignantes indiquent que toutes les possibilités de règlement d'un défaut ont été envisagées et qu'aucune solution n'est viable, la SCHL met un terme à son appui et à sa subvention.

Opérations de placement et de couverture

Le portefeuille de placements se rapportant à l'octroi de prêts est distinct des portefeuilles de l'assurance et de la titrisation. Les placements sont financés par le réinvestissement du principal des prêts remboursés par anticipation, avant l'échéance des passifs influant sur les besoins de trésorerie de la Société. Les placements sont assujettis à des lignes de conduite et à des directives plus restrictives concernant le risque de crédit acceptable, comparativement à l'assurance et à la titrisation, en raison de la nature des activités d'octroi de prêts.

Activités d'octroi de prêts

Prêts

Afin d'évaluer adéquatement ses risques à titre de garant aux termes du Programme des OHC, la SCHL exige des rapports périodiques et détaillés de la part de l'administrateur de la FCH au sujet des activités liées à chaque émission d'OHC. L'administrateur de la FCH doit faire la preuve qu'il gère et contrôle prudemment les risques liés aux activités de la FCH en fournissant des renseignements détaillés sur les actifs et passifs de la FCH et en procédant, deux fois par mois, à des évaluations à la valeur de marché des contreparties de swap. En outre, le fiduciaire fournit à la SCHL les états financiers annuels vérifiés de la FCH. À son tour, la SCHL compte sur cette information pour contrôler son exposition au risque lié à la garantie qu'elle fournit.

Le risque de crédit, qui correspond à la juste valeur estimative des prêts octroyés par la SCHL, s'élève à 15,4 milliards de dollars, comparativement au portefeuille de prêts (à la valeur comptable, y compris les intérêts courus) de 13,4 milliards de dollars. Conformément à son mandat, la SCHL doit consentir des prêts à un nombre élevé d'organismes sans but lucratif, et il est souvent impossible de leur attribuer des cotes de crédit parce que ces organismes ne sont pas évalués par des agences de cotation indépendantes. Ce risque est contrebalancé par le fait que les pertes découlant d'un défaut de remboursement de ces prêts peuvent être recouvrées en grande partie auprès des divers ordres de gouvernement. Pour environ 25 % du portefeuille de prêts de la SCHL, les pertes sur prêts peuvent être recouvrées auprès du gouvernement fédéral, dans la mesure où les recouvrements entrent dans les crédits parlementaires de la SCHL. Une tranche d'environ 32 % des prêts est couverte par l'assurance prêt hypothécaire de la SCHL. Des provisions ont été établies pour régler les indemnités éventuellement rattachées à ces prêts. Une tranche approximative de 39 % se rapporte à des prêts couverts aux termes de diverses ententes sur le logement social conclues avec les provinces et les territoires. Dans le cadre de défaut de remboursement des prêts pour tous les prêts couverts. Enfin, une tranche d'environ 4 % est couverte par le ministère des Affaires indiennes et du Nord canadien, par le biais des garanties d'emprunt ministérielles.

En 2005, le portefeuille de placements de l'assurance s'est accru de 1,7 milliard de dollars et il est passé de 8,0 milliards de dollars à 9,7 milliards de dollars, principalement en raison des rentées nettes de fonds et de la croissance généralisée des marchés. Le risque de crédit illustré dans le graphique découle de placements liés aux conventions de rachat ou de revente conclues de dollars, au 31 décembre 2005, comparativement à 2,4 milliards de dollars, à la fin de l'exercice précédent.

Activités de titrisation

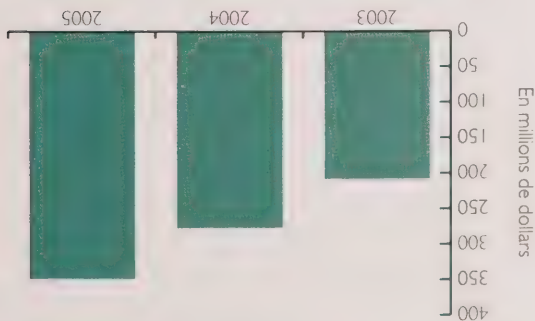
Dans le cadre de ses activités de titrisation pour le

Programme des titres hypothécaires en vertu de la Loi nationale sur l'habitation (TH LNH) et le Programme des Obligations hypothécaires du Canada (OHC), la SCHL garantit le paiement ponctuel (principal et intérêt) des sommes dues aux investisseurs. Au 31 décembre 2005, les obligations au titre du principal garanti à l'intention des investisseurs totalisent 103,7 milliards de dollars, dont 72,5 milliards de dollars pour le Programme des OHC. Les émissions de TH sont réalisées par des OHC. Le principal risque de perte financière lié à ces activités correspond aux frais de financement des paiements garantis en cas de défaillance par rapport aux droits de garantie perçus. Toutes les créances hypothécaires titrisées sont entièrement couvertes par l'assurance prêt hypothécaire. Pour les TH LNH, le risque lié à la

de la qualité et le contrôle des émetteurs ainsi que par l'exigence d'un écart minimal entre le coupon des titres et le taux d'intérêt le plus bas des créances faisant partie du bloc. En cas de défaillance d'un émetteur, l'écart minimal est versé à un autre émetteur en contrepartie de l'administration des créances hypothécaires sous-jacentes et des paiements au titre des TH LNH. Dans le cas des OHC, en plus des mesures de réduction des risques susmentionnées à l'égard des TH LNH, le risque lié à la défaillance d'une contrepartie à un swap est atténué conformément aux exigences du Programme, selon lesquelles une garantie et la retenue des intérêts sont nécessaires si la cote de crédit de la contrepartie est inférieure au seuil préalable, et tous les placements de la FCH relativement au réinvestissement du principal remboursé doivent être cotés R-1 (élevé) ou AAA.



Juste valeur du risque lié aux placements de la titrisation



Le portefeuille de placements de la SCHL se rapportant aux activités de titrisation comprend des placements liés au Programme des TH LNH et au Programme des OHC. L'objectif du programme de placements pour les activités de titrisation est le même que pour les activités d'assurance. En 2005, le portefeuille de placements se rapportant à la titrisation s'est accru de 71 millions de dollars. Il est passé de 276 millions de dollars à 347 millions de dollars, en raison de facteurs semblables à ceux ayant influé sur le portefeuille de placements de l'assurance.

Fiducie du Canada pour l'habitation

La FCH exerce ses activités selon des paramètres précis établis par la SCHL, à titre de garant, lors de la création du Programme des OHC et approuvés par le ministre des Finances. La FCH investit le produit tiré de l'émission d'OHC dans des TH LNH et réinvestit le principal remboursé normalement ou par anticipation dans des placements admissibles. Les placements de la FCH sont gérés par les contreparties de swap et approuvés par la SCHL, à titre de garant, conformément à des ententes contractuelles, et la SCHL n'a pas droit à ces placements sauf en cas de défaillance d'une contrepartie. Par conséquent, même si la SCHL ne gère pas directement les risques financiers liés aux placements de la FCH, elle atténue quand même ces risques aux termes du Programme des OHC. Les placements autorisés de la FCH sont des investissements à peu près sans risque, notamment des TH LNH, du papier commercial adossé à des créances et coté R-1 (élevé) ainsi que des obligations émises ou garanties par le gouvernement du Canada.

à un niveau acceptable. Les mesures les plus efficaces font constamment l'objet d'un suivi et d'une mise à jour. La Société surveille continuellement ses modèles

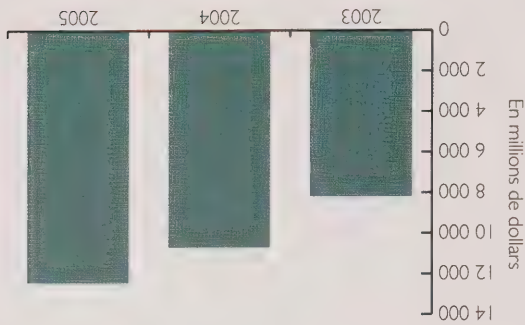
d'évaluation des risques en fonction des demandes d'indemnité réelles pour les modifier au besoin.

La SCHL gère également son risque d'assurance au moyen de la diversification. Comme elle est présente d'un bout à l'autre du Canada, son portefeuille de prêts assurés est réparti dans l'ensemble du pays, tout comme le risque de défaillance des emprunteurs. Depuis toujours, les périodes de difficultés économiques, qui constituent la principale cause d'accroissement des pertes sur prêts, affectent toutes les régions du pays. En outre, la SCHL procède à des évaluations de la qualité des prêts accordés par les prêteurs, conformément à son cadre d'assurance de la qualité. Aux termes de ce cadre, la SCHL collabore avec les prêteurs pour maintenir des normes de qualité concernant la souscription et l'administration de leurs prêts hypothécaires.

Actifs

La SCHL utilise le portefeuille des placements se rapportant à ses activités d'assurance (placements financiers portant à ses primes perçues) pour couvrir les besoins liés à la protection offerte aux prêteurs contre la défaillance des emprunteurs à l'égard de leurs prêts hypothécaires résidentiels. L'objectif du portefeuille est de maximiser le rendement des placements tout en maintenant une liquidité suffisante pour répondre aux besoins prévus et protéger la valeur économique du portefeuille de placements, sous réserve des risques financiers appropriés. Selon une analyse de sensibilité réalisée en 2005, il est actuellement jugé improbable que les placements doivent être liquidés prématurément en raison de l'incidence de résultats économiques défavorables sur les passifs de l'assurance.

Juste valeur du risque lié aux placements Activités d'assurance



Passifs

Le principal risque de perte financière qui pèse sur les activités d'assurance correspond à l'écart entre les indemnités futures liées aux prêts assurés et les primes perçues. La performance globale de l'économie est le principal facteur déterminant de la tendance relative aux indemnités futures. Les fluctuations du prix des habitations, du taux hypothécaire et du taux de chômage, à l'échelle nationale ou régionale, constituent des variables économiques clés influant sur les demandes d'indemnité, car ces variables sont étroitement liées à la capacité des emprunteurs à respecter leurs obligations hypothécaires.

Dans le cadre du processus de planification annuelle, la SCHL analyse la sensibilité des résultats des activités d'assurance à l'aide de l'analyse financière dynamique. Cela lui permet d'évaluer le rendement selon divers scénarios économiques, comme des récessions ou des périodes de taux d'intérêt ou de chômage élevés, ou selon différentes conjonctures, comme une réduction de la part de marché ou une performance des produits inférieure aux prévisions.

Comme au cours des exercices précédents, l'analyse de sensibilité effectuée pour l'exercice à l'étude a permis de conclure que les activités d'assurance resteront viables pendant l'horizon de planification et dans le cas où la conjoncture serait défavorable :

- il est très peu probable qu'une aide gouvernementale devienne nécessaire à l'égard des activités d'assurance étant donné que la base des placements reste positive;

- pour les activités d'assurance de la SCHL, les risques découlant de l'arrivée de nouveaux fournisseurs d'assurance prêt hypothécaire au Canada comprennent une baisse des flux de trésorerie proportionnelle à la diminution de la part de marché et une baisse du rendement du capital si les concurrents visent des marchés générant des marges supérieures.

La SCHL gère activement le risque d'assurance lié aux propriétaires-occupants à l'aide de son système avant-gardiste de souscription automatisée, *emili*. Ce système intègre des modèles d'évaluation des risques liés à l'emprunteur, au marché et à la propriété. Ensemble, ces modèles automatisés fournissent aux souscripteurs de la SCHL les outils leur permettant de déceler efficacement les demandes d'assurance prêt hypothécaire comportant un risque plus élevé. Les souscripteurs peuvent ensuite déterminer si des mesures de réduction des risques réussiraient à ramener ceux-ci

Total	100,0	100,0	100,0
Actions américaines	3,5	3,5	3,5
Actions EAFE	3,5	3,5	3,5
Actions canadiennes	10,7	10,9	10,0
Titres du marché monétaire	4,3	4,2	5,0
Valeurs à revenu fixe	78,0	77,9	78,0

Affectation stratégique Assurance Titrisation

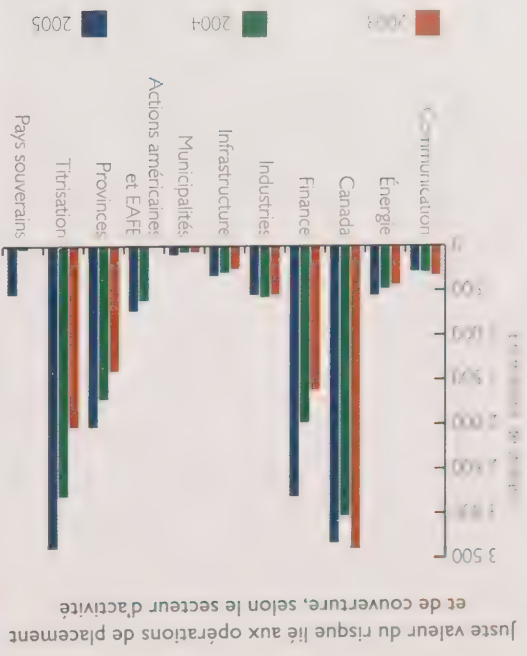
Composition de l'actif des portefeuilles de placements se rapportant aux activités d'assurance et de titrisation (%)

La composition de l'actif des portefeuilles de placements se rapportant à l'assurance et à la titrisation est présentée dans le tableau ci-dessous et constitue un facteur clé pour maintenir la qualité élevée des actifs de la Société. En conséquence, à la fin de l'exercice, environ 50,2 % du total des actifs des portefeuilles de l'assurance et de la titrisation étaient investis dans des obligations émises ou garanties par le gouvernement du Canada ou des provinces canadiennes.

En ce qui concerne le risque de crédit, les politiques de la SCHL stipulent que les évaluations internes, les limites du risque et les cotes de crédit soient approuvées pour chaque émetteur ou contrepartie avant la conclusion de l'opération. Pour chaque portefeuille, des limites sont également établies en fonction des secteurs d'activité et des cotes de crédit pour assurer une diversification appropriée. Tous les jours, la Division de la gestion des risques surveille les opérations de placement et de couverture, afin de veiller à ce qu'elles soient conformes aux politiques et d'évaluer le caractère approprié des cotes internes et des limites.

La SCHL gère activement son risque de crédit. En tant que société d'État, la SCHL est assujétie aux directives du ministère des Finances à l'égard de ses investissements et de ses instruments dérivés. En outre, le Conseil d'administration approuve chaque année les politiques de financement, de placement et de gestion des risques de la SCHL, qui énoncent les principes et les limites applicables pour assurer la liquidité, la solidité financière et le capital de la Société.

En 2005, la valeur marchande estimée des opérations de placement et de rachats (mise en pension) et de vente de titres (par exemple, le rachat de 14,6 milliards de dollars depuis l'exercice précédent et 11,9 milliards de dollars en 2004). Les graphiques ci-contre présentent la répartition des risques et les tendances observées au cours des trois derniers exercices. L'illustration de la constance de la qualité et de la classification de l'exploitation de la Société en fonction de la qualité du crédit, des secteurs d'activité et



La consolidation des états financiers de la Fiducie du Canada pour l'habitation (FCH) et de la SCHL n'influe pas sur les risques financiers auxquels la SCHL est exposée relativement au Programme des Obligations hypothécaires du Canada (OHC). En raison des différences importantes entre les risques financiers de la SCHL et ceux de la FCH, ces risques sont présentés séparément dans le présent rapport.

Risque de crédit

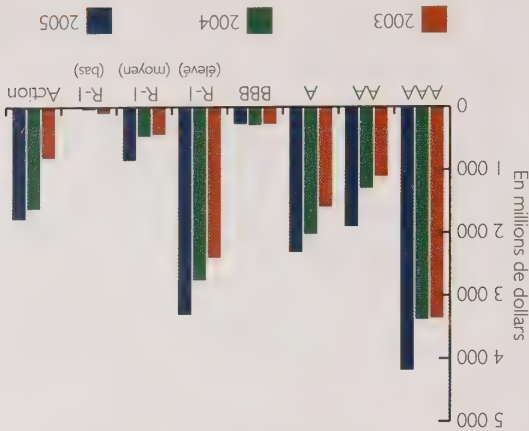
Le risque de crédit est le risque de perte découlant de l'incapacité d'une contrepartie à s'acquitter de ses obligations contractuelles. Le risque de crédit comprend le risque de défaut, le risque de non-règlement et le risque de décote, et il englobe tant la probabilité de perte que l'ampleur probable de celle-ci, déduction faite des recouvrements et des garanties réalisés sur une période appropriée. La SCHL doit composer avec le risque de crédit provenant de diverses sources, soit, directement, de ses activités d'octroi de prêts et de placement et de ses opérations sur instruments dérivés ou, indirectement, des demandes d'indemnité éventuelles découlant de ses activités d'assurance et de titrisation.

La haute direction reçoit régulièrement de l'information sur les plus importants risques à l'échelle de la Société afin de surveiller les concentrations éventuelles se rapportant à des entités ou à des groupes d'entités affiliées.

Risque lié aux opérations de placement et de couverture de la Société

Le risque de crédit lié aux opérations de placement et de couverture de la Société est plafonné pour chaque activité : octroi de prêts, assurance et titrisation.

Juste valeur du risque lié aux opérations de placement et de couverture, selon la core de crédit



PRINCIPAUX RISQUES FINANCIERS

Qui gère les risques financiers

Le Comité d'examen de l'actif et du passif (CEAP) de la SCHL fournit des conseils spécialisés relativement à la gestion du risque de crédit lié aux placements, du risque de marché et des autres risques financiers se rapportant aux activités d'octroi de prêt, d'assurance et de titrisation. Il incombe au Conseil d'administration d'approuver les lignes de conduite sur la gestion des risques en s'assurant que les principaux risques auxquels la Société est exposée ont été déterminés et que les systèmes de gestion appropriés ont été mis en place. Les autres divisions, fonctions et comités qui participent à la gestion des principaux risques financiers comprennent les Finances, la Gestion des risques, l'Analyse actuarielle, l'Assurance (analyse des risques), les Placements, la Titrisation et Trésorerie, l'Administration des portefeuilles et des ententes (portefeuilles de prêts), l'Agent principal de la Vérification de la conformité, le Comité de souscription des logements collectifs et le Comité des placements.

Comment la SCHL gère les risques financiers

La SCHL doit composer avec le risque de crédit, le risque de marché et les autres risques financiers provenant de diverses sources, soit directement, de ses activités d'octroi de prêts et de ses opérations de placement et de couverture et, indirectement, des demandes d'indemnité éventuelles découlant de ses activités d'assurance et de titrisation. La SCHL évalue et gère ses risques financiers de manière à assurer une diversification appropriée, la concordance des actifs et des passifs et l'optimisation des rendements, sous réserve de la tolérance aux risques approuvée par la direction et le Conseil d'administration.

RISQUES FINANCIERS

Risque de crédit

Risque de perte lié à une contrepartie ou un emprunteur incapable de s'acquitter de ses obligations

Risque de marché

Risque lié à l'évolution de la conjoncture, notamment des taux d'intérêt et de change

Autres risques financiers

Risques liés aux opérations, aux liquidités et aux rendements

Comment la SCHL gère les risques liés

Principaux risques liés à l'infrastructure

La gestion efficace du capital humain de la SCHL est l'orientation des employés sont des exemples additionnels des efforts que fait la SCHL pour assurer la gestion efficace de ses ressources clés.

Des processus internes efficaces doivent être en place et examinés continuellement pour assurer la prise rapide de décisions judicieuses. Puisque la technologie et les examens de l'efficacité des processus administratifs et de les améliorer au besoin. Les Services de vérification et d'évaluation effectuent des vérifications périodiques. Les résultats de l'examen de l'efficacité des activités de souscription des logements collectifs seront mis en application en 2006-2007. La Société est également assujettie à un examen spécial tous les cinq ans, en vertu de la Loi sur la gestion des finances publiques. Lors du dernier examen de ce type, effectué en 2004, les coexaminateurs ont indiqué n'avoir constaté aucune lacune importante dans les systèmes et les pratiques examinés.

La Société doit constamment relever le défi d'assurer la maintenance et le soutien à l'égard des systèmes clés, comme ceux liés à la souscription automatisée, à la titrisation, à la trésorerie et à la gestion des risques. Des sites et des processus redondants sont continuellement mis à jour pour faire en sorte que les systèmes indisponibles continuent à fonctionner dans à peu près toutes les situations de catastrophe.

d'élaborer des projets pour améliorer le rendement global de la Société en tirant avantage des technologies courantes. Le Comité de gestion établit les priorités en ce qui concerne les initiatives se rapportant à la technologie de l'information, et les Services de vérification et de l'information ont été chargés de surveiller les progrès.

La perte du savoir collectif est un risque de première importance pour la SCHL en raison de l'augmentation des départs à la retraite au cours des prochains exercices. Par conséquent, la Société a concentré ses efforts sur les dernières étapes d'une stratégie de gestion de la relève, l'apprentissage et le perfectionnement ainsi que le recrutement d'un effectif représentatif. La rémunération est régulièrement comparée au marché afin qu'elle demeure concurrentielle. En outre, l'éthique et la sensibilisation sont intégrées à la culture organisationnelle. L'analyse des tendances démographiques, des projections de la main-d'œuvre, des besoins et des compétences de l'infrastructure sont des exemples de la façon dont la SCHL gère les risques liés à l'infrastructure.

La perte d'une panne des systèmes d'urgence éventuelle d'une panne des systèmes indispensables au soutien des fonctions cruciales est importante. Des travaux considérables ont été réalisés, en 2005, pour mettre en place des installations redondantes afin d'atténuer ce risque et de faire en sorte que les processus administratifs continuent d'être suivis sans interruption. En 2006, un ordinateur central de secours sera installé à l'extérieur de la région centrale du Canada afin d'assurer la poursuite des activités essentielles de la Société et la continuité de l'exploitation de ses systèmes clés. Cela permettra d'atténuer le risque d'une panne d'alimentation touchant l'ensemble de l'information de la SCHL, également créé un groupe spécialisé en stratégie, chargé d'élaborer des projets pour améliorer le rendement global de la Société en tirant avantage des technologies courantes.

de données ou de documents.

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personnel responsable des placements et l'attention soutenue accordée aux principaux comptes clients. En 2006, des changements porteront sur le réalignement des processus de planification et d'affectation des ressources afin de réagir plus rapidement à l'évolution de la conjoncture économique et aux événements.

RISQUES LIÉS À L'INFRASTRUCTURE

Les risques liés à l'infrastructure comprennent le risque de perte du savoir collectif (risque lié au personnel), le risque lié aux lacunes des processus et des contrôles internes (risque lié aux processus) et le risque de panne des systèmes d'information ou des installations de traitement (risque lié à la technologie). Ces risques influent plus particulièrement sur les activités de fonctionnement et les ressources nécessaires au fonctionnement de l'organisation et à la réalisation des objectifs. Il importe d'en tenir compte pour que l'organisation demeure efficiente, surtout en raison des changements qui touchent actuellement le contexte opérationnel de la Société.

Qui gère les risques liés à l'infrastructure

Le Comité de gestion et des comités spécialisés, comme le Conseil des ressources humaines, et des unités fonctionnelles, comme les groupes de la Stratégie des TI et de la Sécurité, gèrent les risques liés à l'infrastructure. Les Services de vérification et d'évaluation contribuent également à la gestion des risques liés à l'infrastructure en examinant de manière indépendante les fonctions et les processus connexes. Les directeurs et les gestionnaires des secteurs fonctionnels ont un rôle à jouer dans la gestion des ressources humaines, des processus administratifs et de la technologie pour s'acquitter de leurs responsabilités envers la Société. Comme dans le cas des risques stratégiques, la responsabilité de chaque risque lié à l'infrastructure est attribuée à des membres de la haute direction.

RISQUES LIÉS À L'INFRASTRUCTURE

■ Risque lié au personnel

Capacité de disposer des bonnes personnes, au bon endroit et au bon moment

■ Risque lié aux processus

Gestion des processus actuels et adaptation des processus pour répondre aux besoins

■ Risque lié à la technologie

Utilisation de technologies et de systèmes d'information fiables pour répondre aux besoins

RISQUES STRATÉGIQUES

■ Risque lié au mandat

Exécution du mandat de la SCHL et contribution à sa modification

■ Risque lié au contexte commercial

Compréhension et gestion des incidences découlant du contexte commercial sur l'environnement commercial

■ Risque lié au contexte relationnel

Gestion des relations essentielles et amélioration du service à la clientèle

■ Risque lié au contexte organisationnel

Harmonisation des efforts de la SCHL pour atteindre les objectifs de manière responsable

Principaux risques stratégiques

Les objectifs de la Société donnent une orientation à ses activités et à ses initiatives stratégiques. Par conséquent, il est très important de déterminer, de contrôler et de gérer les risques stratégiques dans l'optique des objectifs de la Société. Puisque la gestion des risques stratégiques de la SCHL est exposée et établie, elle est intégrée à la planification stratégique et à l'établissement des priorités de la Société. L'analyse de ces risques est plus détaillée dans la section sur la performance du présent rapport, à partir de la page 21, et un bref survol des points essentiels est fourni ci-dessous.

Survol des principaux risques stratégiques

L'évolution du secteur canadien de l'assurance prêt hypothécaire, notamment l'accroissement des pressions concurrentielles, signifie que la SCHL doit continuer d'élaborer des stratégies et des produits appropriés pour conserver sa position de premier plan et rester l'assureur de choix. Les efforts de la Société à cet égard dépendront des modifications éventuelles de la Loi sur les banques et des incidences de l'accord de Bâle II sur les portefeuilles de prêts hypothécaires des institutions financières réglementées. En outre, l'examen d'un modèle de cadre d'emprunt centralisé par le ministère des Finances peut influencer les opérations de financement et de couverture dans l'avenir.

Les changements organisationnels apportés en 2005 permettront à la Société de disposer de ressources plus spécialisées pour réaliser ses objectifs. Certains de ces changements concernent l'importation accrue prêtée au logement des Autochtones, la fusion des activités de titrisation et de financement, la consolidation du

La consolidation de la Fiducie du Canada pour l'habitation n'a pas changé la manière dont la SCHL gère la garantie qu'elle consent à l'égard des titres adossés à des créances hypothécaires. Le processus de GRC adopté par la SCHL est dynamique et vise à faciliter la détermination des principaux risques pouvant influencer sur l'élaboration et la réalisation des objectifs et des stratégies de la Société. Compte tenu de son mandat ainsi que des stratégies et des outils commerciaux utilisés pour le remplissage, la SCHL est exposée à un certain nombre de risques qui varient selon ses activités. Ces 13 risques d'entreprise contre lesquels elle doit se protéger se répartissent en trois grandes catégories : les risques stratégiques, les risques liés à l'infrastructure et les risques spécifiques (notamment financiers).

du Canada

RISQUES STRATÉGIQUES

La détermination et le contrôle des risques stratégiques sont importants pour l'avenir de la Société et peuvent influencer considérablement sur la réalisation des objectifs de la Société.

Qui gère les risques stratégiques

Le Conseil d'administration assume la responsabilité ultime de l'orientation stratégique et de la tolérance aux risques de la Société. La haute direction, par l'intermédiaire du Comité de gestion, gère les risques stratégiques auxquels la SCHL est exposée. Le Comité de gestion est composé du président, des vice-présidents, des directeurs généraux et des directeurs exécutifs, qui représentent les principales unités fonctionnelles et fonctions de surveillance de la Société. La responsabilité de chaque risque stratégique est attribuée à un membre (parfois plus) de la haute direction. Les gestionnaires des unités et des secteurs fonctionnels ont un rôle à jouer dans la gestion des stratégies concernant leur domaine et doivent collaborer avec la haute direction afin d'assurer l'harmonisation des stratégies avec les principaux objectifs de la Société.

Comment la SCHL gère les risques stratégiques

Les risques stratégiques sont ceux que la haute direction et le Conseil d'administration prennent en considération pour évaluer et établir l'orientation et la stratégie générales de la Société. En collaboration avec le Conseil d'administration et le ministre responsable de la SCHL, et sous réserve de leur approbation, le président et les membres de la haute direction forment la stratégie générale de la SCHL. Chaque année, le Conseil d'administration tient une réunion de planification stratégique pour analyser et résoudre les problèmes de fond auxquels la SCHL doit faire face ainsi que pour renouveler et mettre à jour les priorités et les objectifs de la Société. Le Conseil d'administration reçoit des rapports trimestriels sur les plans et les initiatives ainsi que des rapports semestriels sur le profil des risques comportant un suivi de occasions à saisir et des risques stratégiques futurs.

Le processus de GRC adopté par la SCHL est dynamique et vise à faciliter la détermination des principaux risques pouvant influencer sur l'élaboration et la réalisation des objectifs et des stratégies de la Société. Compte tenu de son mandat ainsi que des stratégies et des outils commerciaux utilisés pour le remplissage, la SCHL est exposée à un certain nombre de risques qui varient selon ses activités. Ces 13 risques d'entreprise contre lesquels elle doit se protéger se répartissent en trois grandes catégories : les risques stratégiques, les risques liés à l'infrastructure et les risques spécifiques (notamment financiers).

RISQUE

Conseil d'administration — Surveillance des risques et approbation des lignes de conduite

Comité de vérification — Contrôle des activités financières, prestation de conseils au Conseil d'administration et approbation du profil des risques de la Société

GESTION

Comité de gestion — Contrôle des risques et mise à jour des lignes de conduite

Comité d'examen de l'actif et du passif — Élaboration de recommandations au sujet des lignes de conduite concernant les risques financiers et non financiers, et surveillance de la gestion de l'actif et du passif

Comité des placements — Expertise technique et soutien des stratégies de placement de la SCHL

Agent principal, Vérification de la conformité — Assurance de manière proactive que des contrôles efficaces sont en place et que les problèmes liés à la conformité sont relevés et signalés

Activités précises exercées par :

- Bureau de gestion des risques en entreprise
- Division de la gestion des risques
- Assurance (Analyse des risques)
- Division de l'analyse actuarielle rattachée au Secteur des finances
- Services juridiques
- Services de vérification et d'évaluation
- Bureau de la sécurité



GESTION DES RISQUES

La SCHL est déterminée à remplir son mandat et à réaliser ses objectifs d'intérêt public ainsi qu'à appliquer des principes rigoureux de gestion des risques réglementaires et commerciaux et des pratiques exemplaires pour déterminer, surveiller, limiter et gérer les risques. L'engagement de la SCHL à l'égard de la gestion des risques en entreprise (GRE) sous-tend son approche d'une régie efficace par le Conseil d'administration et la haute direction. La GRE permet au Conseil d'administration et à la haute direction d'évaluer et de traiter globalement les risques et les occasions d'affaires dans le cadre de la planification stratégique de la Société. C'est un outil qui facilite l'harmonisation des objectifs prioritaires et des ressources et des bénéfices des parties prenantes.

En 2005, la SCHL a renforcé les éléments essentiels de ce processus en affectant des ressources aux critères clés qui sous-tendent une GRE efficace, selon les principaux organismes de réglementation, institutions financières et agences de cotation internationales. Elle a mis l'accent sur l'amélioration des processus de régie et de GRE liés à la planification stratégique ainsi que sur l'élaboration d'autres mesures, contrôles et rapports sur les risques et le rendement.

APERÇU DE LA RÉGIE INTERNE ET DE LA GESTION DES RISQUES

La gestion des risques est une responsabilité partagée entre le Conseil d'administration, la haute direction et les unités fonctionnelles. Sur le plan de la régie, le Conseil d'administration surveille les risques auxquels la SCHL est exposée, approuve les lignes de conduite concernant les risques et s'assure que les processus et les systèmes requis sont en place pour gérer efficacement les risques. Sur le plan de la gestion, la haute direction contrôle les risques, informe le Conseil d'administration au sujet du profil des risques de la Société, recommande des lignes de conduite sur la gestion des risques financiers et non financiers et surveille les positions financières, les expositions aux risques, les stratégies financières et le rendement de la SCHL. Sur le plan de l'exploitation, des fonctions spécialisées se préoccupent des risques juridiques, des risques liés à la sécurité, des risques d'assurance ainsi que des risques financiers et non financiers spécifiques.

Cette structure sert à l'établissement des priorités, à l'affectation des ressources et à la prise de décisions efficaces concernant la gestion des risques. Selon la structure de régie de la SCHL, la gestion des risques importants ne relève pas des activités de fonctionnement et des fonctions de supervision, mais plutôt des comités de la haute direction et du Conseil d'administration.

RÉALISATIONS EN 2005

- Plus grande intégration de la gestion des risques en entreprise (GRE) dans les processus de planification, d'affectation des ressources et de présentation de l'information.
- Création du poste d'agent principal. Vérification de la conformité, en mettant l'accent sur les opérations de trésorerie et de placement.
- Focalisation soutenue sur la gestion du capital en élaborant un cadre de gestion du risque de crédit pour lier plus étroitement la tolérance à ce risque avec les exigences relatives à la capitalisation et les besoins fonctionnels se rapportant à ses activités commerciales.
- Amélioration des mesures de rendement et de la planification pour intégrer de manière plus efficace la gestion du capital et de la valeur.
- Leadership pour mettre en œuvre des stratégies de gestion de la fraude dans le secteur du crédit hypothécaire.
- Mise à jour de la planification de la continuité des activités pour tenir compte d'éventualités imprévisibles.
- Elaboration de mesures concrètes pour protéger les renseignements de nature délicate et l'échange de données.

La SCHL continue à préparer l'avenir en diffusant des informations pour contribuer à l'évolution des marchés de l'habitation et du système de financement de l'habitation au Canada et pour partager son savoir-faire avec les pays qui désirent améliorer leur système de logement. Environ 35 % de ses ressources sont affectées à la recherche et à la diffusion de l'information, en majeure partie au Canada. En outre, pour assurer son avenir, elle s'efforce de demeurer une organisation forte et solide.

Conformément à son engagement, la SCHL a continué à mener des recherches et elle a affecté, en 2005, 49 millions de dollars à la recherche et à la diffusion de l'information. En outre, sa prestation de services-conseils à l'étranger a généré des revenus de 1,3 million de dollars.

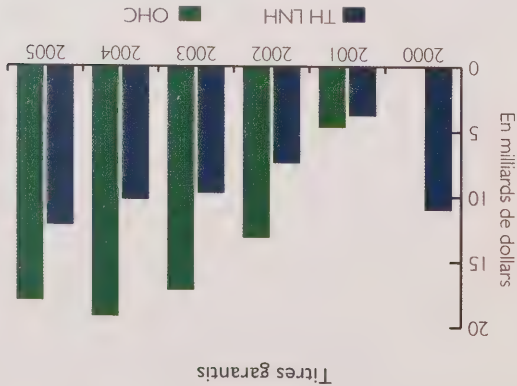
**Instruments financiers, couvertures
et résultat étendu**

- L'Institut Canadien des Comptables Agréés a publié trois nouvelles normes comptables : Instruments financiers (covering Financial Instruments, Covering Instruments), Couvertures (covering Hedges) et Résultat étendu (covering Extended Result). La Société appliquera ces normes à compter du 1^{er} janvier 2007. Les principales incidences de ces normes sont présentées ci-dessous.
- Les autres éléments du résultat étendu constitueront une nouvelle composante de l'avoir du Canada, et un nouvel état du résultat étendu sera ajouté aux états financiers consolidés de la Société.
 - Les actifs financiers devront être classés comme suit : détenus pour la vente, détenus jusqu'à leur échéance, détenus à des fins de transaction, ou à titre de prêts et créances.
 - En ce qui a trait aux couvertures de juste valeur, si la Société couvre les variations de la juste valeur des actifs, passifs ou engagements fermes, la variation de la valeur des instruments dérivés et des éléments couverts sera imputée à l'état consolidé des résultats.
 - En ce qui concerne les couvertures de flux de trésorerie, si la Société couvre les fluctuations des flux de trésorerie liés aux actifs, passifs ou opérations prévues à taux variable, la tranche efficace de la couverture des variations de la juste valeur des instruments dérivés sera ajoutée aux autres éléments du résultat étendu jusqu'à ce que les éléments couverts aient été imputés à l'état consolidé des résultats.

Modifications de conventions comptables

La Société prévoit adopter les normes comptables qui





En raison de l'application de la NOL-15, les garanties d'OHC apparaissent également comme un passif au bilan consolidé.

observée au cours des exercices récents, partiellement en raison du lancement, en 2004, d'un nouveau produit, les titres hypothécaires à taux variable (THTV). Les droits de garantie sont perçus au moment de l'émission des titres connexes et sont reportés et imputés aux revenus sur la durée de la période à court jusqu'à l'échéance des titres (généralement cinq ans). Par conséquent, une tranche d'environ 90 % des revenus tirés des droits de garantie en 2005 est attribuable à des droits perçus avant 2005. En 2005, le bénéfice net s'est élevé à 42 millions de dollars, soit 40 % de plus que les prévisions et 31 % de plus qu'en 2004. L'augmentation du bénéfice net par rapport au chiffre prévu pour 2005 et au résultat réel pour 2004 s'explique principalement par l'augmentation des émissions, ce qui a accru les droits de garantie perçus. En 2006, la Société prévoit garantir 14 milliards de dollars d'OHC, soit 4 milliards de dollars de moins qu'en 2005. Toutefois, il est possible que ce chiffre soit dépassé si la vitalité des marchés hypothécaires canadiens se maintient. En raison de la diminution des prévisions, le bénéfice net devrait diminuer légèrement en 2006.

Le résultat réel a été bien meilleur que le chiffre prévu pour 2005 et le pourcentage réel pour 2004, principalement en raison des revenus exceptionnellement élevés pendant l'exercice à l'étude.

Mesure de rendement	Résultat 2004	Objectif 2005	Résultat 2005	Objectif 2006
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Rentabilité à court terme — Pourcentage des frais d'exploitation se rapportant à la titrisation[†]

12,5 < 13,8 8,6* 11,7

* Objectif atteint ou dépassé
† Objectif non réalisé

[†] Frais d'exploitation sur les revenus, compte non tenu des revenus de placement ni des revenus et dépenses de la FCH.

Faits saillants des résultats (en millions de dollars)	Chiffre 2004	Chiffre 2005	Chiffre 2005	Résultat/Chiffre 2006
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En garantissant des titres hypothécaires, la SCHL assure une offre abondante de fonds à faible coût sur le marché hypothécaire résidentiel. Ainsi, les Canadiens profitent de taux d'intérêt hypothécaires inférieurs à ceux qui leur seraient consentis sans la présence de la SCHL sur le marché hypothécaire secondaire. Les résultats de la Fiducie du Canada pour l'habitation sont inclus dans cette activité.

Droits	Revenus de placement	Revenus de la FCH	Revenus de la FCH	Dépenses de la FCH	Frais d'exploitation	Bénéfice net	Bénéfices non répartis
47	12	16	2 432	2 675	5	42	155
123 %	146 %	110 %	182	197	6	30	182
40	40	49	42	108 %	223	36	223

Les revenus de placement constituent la principale source de revenus de la FCH, et les intérêts sur les OHC en circulation en sont la principale dépense. La Fiducie est conçue pour n'engendrer aucun bénéfice net. Comme le volume des Obligations hypothécaires du Canada a été plus élevé que prévu, on observe une hausse équivalente des revenus et des dépenses.

Les droits de demande et de garantie ainsi que les revenus tirés du portefeuille de placements constituent les principales sources de revenus des activités de garantie de la SCHL. Conformément à son mandat, la Société exerce ses activités de titrisation sur une base commerciale, de telle manière que les droits de garantie perçus au fil du temps couvrent les frais connexes et procurent un rendement raisonnable au gouvernement du Canada. Par conséquent, comme pour les activités d'assurance prêt hypothécaire, les activités de titrisation sont exercées sans qu'il en coûte quoi que ce soit aux contribuables canadiens.

Le volume de créances titrisées a augmenté au cours des derniers exercices, plus particulièrement depuis le lancement du Programme des OHC, en 2001. Les revenus constatés en 2005 ont été favorisés par la croissance



Les droits de demande, les primes d'assurance prêt hypothécaire (perçues lors de l'octroi du prêt et valables pendant toute sa durée) ainsi que les revenus tirés du portefeuille de placements constituent les principales sources de revenus des activités d'assurance. Conformément à son mandat, la SCHL exerce ses activités d'assurance sur une base commerciale, de telle manière que les droits et primes perçus au fil du temps couvrent les indemnités versées et les frais connexes et procurent un rendement raisonnable au gouvernement du Canada, ce qui garantit des règles du jeu équitables entre la Société et les fournisseurs d'assurance prêt hypothécaire du secteur privé. Par conséquent, les activités d'assurance hypothécaire continuent d'être exercées sans qu'il en coûte quoi que ce soit aux contribuables canadiens.

L'économie influe considérablement sur le rendement des activités d'assurance de la SCHL. La conjoncture économique et, plus particulièrement, les conditions des marchés de l'habitation ont été exceptionnelles au cours des dernières années, ce qui a permis à davantage de Canadiens d'accéder à la propriété. Depuis plusieurs années, ces facteurs économiques, le lancement de nouveaux produits et son engagement envers l'excellence du service ont permis à la SCHL d'accroître son volume d'activité et ses revenus tirés des primes et d'enregistrer des pertes sur les indemnités nettes inférieures aux provisions. Cela signifie également que la SCHL est demeurée l'assureur hypothécaire de choix au Canada malgré une concurrence vigoureuse. En outre, la SCHL a modifié sa tarification au bénéfice des emprunteurs et réduit de 15 % les primes d'assurance prêt hypothécaire pour les accédants à la propriété, et ce, pour la deuxième fois en deux ans.

Puisque les primes sont reportées et constatées sur la durée des prêts hypothécaires assurés, une tranche de 93 % des revenus tirés des primes d'assurance en 2005 est attribuable à des primes perçues avant 2005.

La conjoncture économique influe également sur les indemnités nettes. Celles-ci sont composées de deux éléments. Le premier correspond aux pertes réelles sur les indemnités versées au cours de l'exercice. Le second équivaut à la variation de la provision ou de l'estimation des défauts de paiement qui se sont produits, mais pour lesquels les prêteurs n'ont pas encore présenté de demande de règlement à la SCHL. Cette

Mesure de rendement		Rentabilité à court terme — Pourcentage des frais d'exploitation se rapportant à l'assurance prêt hypothécaire		* Objectif atteint ou dépassé		* Objectif non réalisé	
Objectif	Résultat	2006	2005	Objectif	Résultat	2005	2004
13,4	11,7*	< 14,7	12,8				

En 2006, le bénéfice net devrait diminuer légèrement, après avoir été soutenu par une conjoncture économique vigoureuse au cours des dernières années. L'arrivée prochaine d'un troisième fournisseur d'assurance prêt hypothécaire exercera une pression sur la Société, de sorte qu'elle devra être innovatrice et efficiente pour demeurer l'assureur hypothécaire de choix au Canada et réaliser ses prévisions pour 2006.

En 2005, le pourcentage des frais d'exploitation a été inférieur à celui prévu en raison de la croissance des revenus attribuables aux volumes d'activité supérieurs aux prévisions ainsi qu'aux dépenses quelque peu plus faibles. La diminution des dépenses s'explique par la capacité de la Société à gérer de manière efficiente les changements concernant la production d'assurance et le règlement des demandes d'indemnité. Le pourcentage des frais d'exploitation a été inférieur à celui de 2004 en raison de la croissance des revenus.

des prêts devant être renouvelés pendant l'exercice.

La SCHL fait des prêts et des investissements à l'égard de l'ensemble des logements en vertu des dispositions de la loi nationale sur l'habitation. Les programmes de prêt de la SCHL, appliqués de manière à ne dégrader aucun profit, permettent de fournir aux ensembles de logements sociaux des fonds à faible coût en vue de déduire les pertes d'intérêts déduisant des risques de remboursement anticipé et de révision des taux liés à certains prêts octroyés avant 1993. Les programmes sont conçus de manière à couvrir les frais financiers et administratifs.

Field labels		(in millions of dollars)	
	2004	2005	2006
des résultats	100	100	100
Charges	100	100	100
Results/Charges	100	100	100

Intérêts	1 011	887	909	102 %	856
créditeurs et revenus de placement					
Intérêts	939	864	898	104 %	835
débiteurs					
Frais	19	22	18	82 %	21
d'exploitation					
Bénéfice net	43	12	9	75 %	1
Réserves	134	133	143	108 %	139

En 2005, le nombre des nouveaux prêts octroyés et celui des prêts existants renouvelés ont considérablement dépassé les prévisions. Les nouveaux prêts de 197 millions de dollars ont été de 25 % supérieurs à l'objectif visé, principalement en raison de la croissance des engagements dans les réserves. Les prêts renouvelés ont également dépassé la cible de 13 %, plus particulièrement à cause du renouvellement imprévu de plusieurs prêts en 2005.

plus particulièrement a cause du renouvellement

Même si les prêts directs ont été supérieurs aux prévisions, ceux-ci ont diminué de manière générale au cours des dernières années parce qu'ils ont été remplacés par des mécanismes plus flexibles pour aider les Canadiens démunis. Une tendance à la baisse a donc été constatée sur le plan du portefeuille de prêts et de la dette contractée pour financer ces prêts, qui s'établit actuellement à quelque 13 milliards de dollars (14 milliards de dollars en 2004). Le nombre de prêts a légèrement augmenté, mais leur moyenne a diminué, de sorte que la valeur du portefeuille a baissé. Il en découle que le coût moyen par dollar de prêt administré s'est accru. Les prêts ont été financés au moyen d'emprunts auprès du gouvernement du Canada jusqu'à la fin de 1992. Depuis, la Société emprunte les fonds nécessaires uniquement sur les marchés de capitaux, à titre de

Les intérêts générés sur les prêts et investissements constituent la principale source de revenus des activités d'octroi de prêts alors que les coûts d'emprunt en sont la plus grande dépense.

est peu élevé par rapport aux résultats globaux de la Société et peut évoluer considérablement en raison du recouvrement, après du gouvernement, des pertes liées aux remboursements anticipés et aux révisions des taux d'intérêt (montant nul en 2005, comparativement au chiffre prévu de 9 millions de dollars pour 2005 et au résultat réel de 24 millions de dollars pour 2004) et des fluctuations découlant de l'application de la comptabilité de couverture aux termes de la note d'orientation concernant la comptabilité n° 13 (NOC-13) (5 millions de dollars en 2005, par rapport au chiffre prévu de 1 million de dollars pour 2005 et au résultat réel de 16 millions de dollars pour 2004). La Société n'a pas récupéré ses pertes subies en 2005 par suite de remboursements anticipés, parce qu'elle aurait alors dépassé le plafond de son fonds de réserve. La SCHL utilise des instruments dérivés pour atténuer le risque de marché lié aux prêts et à une grande variété d'instruments de ces instruments ne sont pas conformes aux critères de la comptabilité de couverture stipulés dans la NOC-13. Par conséquent, de nombreux instruments dérivés sont maintenant rajustés et présentés à leur juste valeur au bilan, et les gains et les pertes découlant de l'évolution de la juste valeur sont imputés aux résultats, ce qui entraîne une fluctuation des revenus d'un exercice à l'autre.

Même si les activités de la SCHL lui permettent de réaliser chacun de ses trois grands objectifs, l'octroi de prêts et l'application des programmes de logement visent principalement à aider les Canadiens dans le besoin, et les activités d'assurance et de titrisation jouent un rôle clé pour faciliter l'accès de tous les Canadiens à des logements plus abordables et de meilleure qualité. Par conséquent, la présente analyse financière porte sur chaque type d'activité et sur l'ensemble des activités en fonction de l'objectif principal visé.

OBJECTIF UN — AIDER LES CANADIENS DANS LE BESOIN

La SCHL aide les Canadiens démunis au moyen de subventions et de contributions au logement et de prêts à des taux inférieurs à ceux du marché. Environ 21 % de ses ressources sont consacrées à l'élaboration et à l'application de solutions en matière de logement pour les Canadiens dans le besoin et au maintien du parc de logements abordables existants.

Programmes de logement

Même si l'économie canadienne demeure l'une des plus vigoureuses du monde, de nombreux Canadiens, partout au pays, éprouvent encore des besoins importants en matière de logement, notamment un nombre disproportionné d'Autochtones, de nouveaux immigrants et de personnes âgées. La SCHL continue de s'occuper de ce problème au moyen de divers programmes, mécanismes de prestation et partenariats. Cela comprend les ententes sur le logement social avec les provinces et les territoires, l'initiative en matière de logement abordable, les ententes sur le logement dans les réserves et le logement sans but lucratif et les programmes de rénovation et de partenariat.

Faies salissantes des résultats	2004	2005	2005	2005	2005	2005
(en millions de dollars)	Chiffre réel	Chiffre prévu	Chiffre réel	Chiffre prévu	Chiffre réel	Chiffre prévu
Dépenses relatives aux programmes de logement	2 006	2 103	1 973	94 %	2 059	
Frais d'exploitation	101	105	103	98 %	108	
Crédits	2 107	2 208	2 076	94 %	2 167	

Au total, la Société dépense plus de 2 milliards de dollars par an pour répondre aux besoins des Canadiens en matière de logement au moyen de ces divers programmes. De ce total, une somme d'environ 1,7 milliard de dollars découle d'engagements à long terme pris au cours des exercices antérieurs, dont une tranche approximative de 1 milliard de dollars transférée aux provinces et territoires aux termes des ententes sur le logement social. Ces dépenses, y compris les pertes d'intérêts se rapportant aux activités d'octroi de prêts, sont remboursées à la Société au moyen des crédits parlementaires approuvés annuellement par le gouvernement du Canada.

En outre, tel qu'il a été annoncé dans le budget fédéral 2005, le gouvernement a autorisé la Société, conjointement avec le ministère des Affaires indiennes et du Nord canadien, à investir 295 millions de dollars sur cinq ans pour le logement des Premières nations dans les réserves. Les fonds doivent servir à la construction d'environ 5 400 logements et à la rénovation de quelque 1 500 logements.

Les dépenses relatives aux programmes de logement ont été de 130 millions de dollars, ou 6 %, inférieures aux prévisions et comparables à celles de 2004. Environ la moitié de l'écart par rapport aux prévisions s'explique par le fait que les intérêts débiteurs ont été inférieurs au chiffre prévu en raison de la faiblesse des taux. Le solde se rapporte principalement aux dépenses liées à l'initiative en matière de logement abordable et aux programmes de rénovation en raison de certains retards dans l'exécution des engagements et de la pénurie d'entrepreneurs disponibles dans certaines régions (compte tenu de la vigueur du secteur de la rénovation). En 2006, la SCHL prévoit l'utilisation complète des crédits gouvernementaux d'environ 2 milliards de dollars.



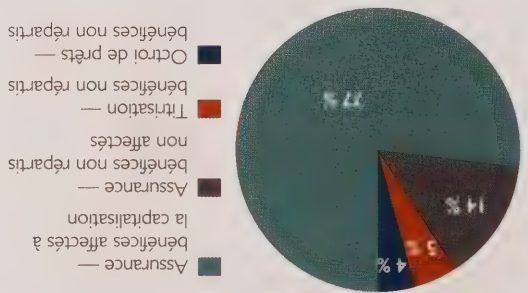
Gestion des ressources

L'efficacité et la rentabilité sont depuis longtemps des priorités pour la SCHL. Puisque les coûts relatifs au personnel constituent à peu près 65 % des frais d'exploitation, la consommation de ressources est un facteur déterminant. En 2005, la consommation d'années-personnes s'est accrue de moins de 1 % malgré des volumes d'activité records et le lancement de nouveaux produits. Les frais d'exploitation ont également très peu augmenté. La FCH ne consomme pas d'années-personnes, et ses frais d'exploitation sont remboursés par les contreparties de swap.

Impôts sur les bénéfices

La SCHL est une société d'État fédérale et n'est pas assujettie à l'impôt provincial. En 2005, la SCHL a versé près d'un demi-milliard de dollars au titre des impôts sur les bénéfices, soit un montant comparable à celui de 2004 et qui devrait demeurer stable dans un avenir prévisible. La FCH est assujettie à l'impôt fédéral ainsi qu'à l'impôt provincial sur son bénéfice imposable de la période et elle peut déduire les montants payés ou payables à son bénéficiaire pour déterminer son bénéfice imposable. Puisque la totalité du bénéfice a été versée au bénéficiaire, aucune provision pour impôts n'est comptabilisée dans les états financiers consolidés.

Bénéfices non-répartis par activité — 2005



Assurance —
Bénéfices affectés à la capitalisation
Assurance —
Bénéfices non répartis
Titrisation —
Octroi de prêts —
Bénéfices non répartis

L'utilisation des bénéfices non répartis de la SCHL est régie par la Loi sur la Société canadienne d'hypothèques et de logement et la Loi nationale sur l'habitation. Plus

particulièrement, les bénéfices non répartis des activités d'assurance hypothécaire et de titrisation doivent être affectés à la capitalisation des activités d'assurance et de titrisation de la SCHL, au paiement de dividendes au

Trésor, à l'application de la Loi sur la Société canadienne d'hypothèques et de logement ou de la Loi nationale sur l'habitation ou à toute autre fin relative à l'habitation,

autorisée par le Parlement, ou à la non-répartition. Jusqu'à ce jour, les bénéfices non répartis des activités d'assurance ont été affectés à la capitalisation et à la

non-répartition (bénéfices non répartis non affectés). Les bénéfices non répartis des activités de titrisation ont également été affectés à la non-répartition.

Étant donné que le bénéfice net annuel de la SCHL est comptabilisé par le gouvernement du Canada,

l'utilisation des bénéfices non répartis des activités d'assurance ou de titrisation à d'autres fins que la capitalisation, le paiement d'un dividende ou la

non-répartition constitue de fait une nouvelle dépense pour le gouvernement du Canada. Les bénéfices non répartis des activités d'octroi de prêts sont assujettis à

des limites prescrites, et tout excédent doit être versé au gouvernement du Canada sous forme de dividende.

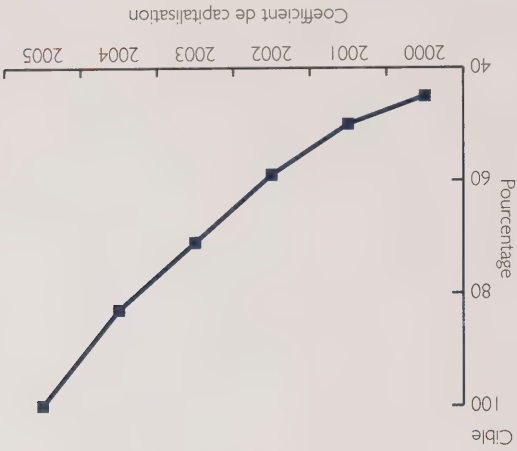
En date du 1^{er} janvier 2005, le Conseil d'administration a approuvé une diminution de 15 % du niveau de capital cible pour les activités d'assurance, conformément aux

lignes directrices du Bureau du surintendant des institutions financières (BSIF). La diminution a été déterminée au moyen d'une analyse financière dynamique pour

s'assurer que le niveau de capital minimal, selon le BSIF, serait respecté, sauf si les conditions des marchés de l'habitation devenaient très défavorables, conformément

aux lignes directrices du BSIF. Cette diminution fait en sorte que le niveau de capital cible pour les activités d'assurance s'aligne davantage sur les repères de l'industrie.

Capitalisation de l'assurance



Les marchés de l'habitation, dont la vigueur a contribué à l'accroissement sans précédent des bénéfices non répartis des activités d'assurance en 2005, devraient s'affaiblir dans l'avenir tout en demeurant favorables aux activités d'assurance prêt hypothécaire. Dans ce contexte, les bénéfices non répartis pourraient plus que doubler au cours des cinq prochains exercices, alors que les exigences de capital augmenteraient à peu près du tiers. Un ralentissement économique, l'arrivée de nouveaux concurrents ou l'utilisation des bénéfices non répartis des activités d'assurance ou de titrisation conformément à la LNH donnerait lieu à une diminution des bénéfices non répartis dans l'avenir.

Le niveau de capital cible de la SCHL rend compte du fait que les produits et services d'assurance de la SCHL sont offerts sur les marchés moins bien desservis ou à l'appui de priorités gouvernementales particulières, là où les risques liés à l'assurance sont souvent plus élevés. En 2005, la SCHL a atteint le niveau de capital cible. Ainsi, elle compte sur un capital suffisant pour composer avec les risques futurs et elle applique des pratiques commerciales prudentes. Même si la conjoncture économique et les conditions des marchés de l'habitation sont actuellement favorables aux activités d'assurance prêt hypothécaire, la conjoncture économique est cyclique, et les assureurs doivent en tenir compte pour planifier à long terme. En outre, les exigences de capital doivent être examinées dans le contexte des activités d'assurance, pour lesquelles les polices en vigueur s'élèvent à 274 milliards de dollars. La SCHL prévoit que son niveau de capital cible se maintiendra à 100 % pendant un avenir prévisible puisque les prévisions indiquent une vitalité soutenue des marchés de l'assurance.

RÉSULTATS FINANCIERS

	2004	2005	2005	2006
(en millions de dollars)	Chiffre réel	Chiffre prévu	Chiffre réel	Chiffre prévu
Résultats/prévisions				

Revenus	6 560	7 067	7 334	104 %	7 968
Dépenses	5 161	5 857	5 870	100 %	6 538
Impôts sur les bénéfices	449	393	462	118 %	465
Bénéfice net	950	817	1 002	123 %	965
Bénéfices non répartis	3 401	4 133	4 403	107 %	5 284
Gestion des ressources**					
Frais d'exploitation	305	368	303	82 %	384
Années-personnes	1 814	1 902	1 804	95 %	1 917

* Les chiffres révisés en raison de la consolidation de la Fiducie du Canada pour les exercices antérieurs ont été révisés en raison de la consolidation de la Fiducie du Canada pour les exercices antérieurs.

** Les chiffres révisés en raison de la consolidation de la Fiducie du Canada pour les exercices antérieurs ont été révisés en raison de la consolidation de la Fiducie du Canada pour les exercices antérieurs.

Bénéfice net

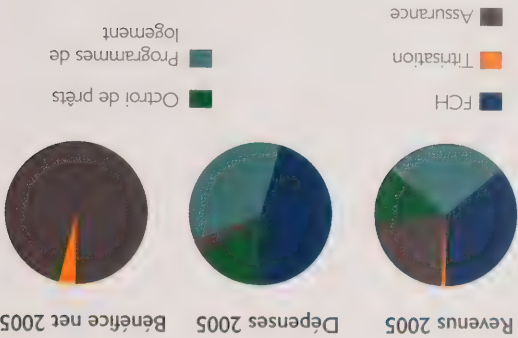
En 2006, le bénéfice net devrait diminuer légèrement par rapport au sommet atteint en 2005, mais il continuera de croître de la vitalité des marchés de l'habitation. Le bénéfice net devrait diminuer légèrement par rapport au sommet atteint en 2005, mais il continuera de croître de la vitalité des marchés de l'habitation. Le bénéfice net devrait diminuer légèrement par rapport au sommet atteint en 2005, mais il continuera de croître de la vitalité des marchés de l'habitation.

Hypothèses du plan	2004	2005	2005	2006
	Chiffre réel	Chiffre prévu	Chiffre prévu	Chiffre prévu

Prix de vente S.I.A.®	226 283	236 500	249 311	238 000
Taux hypothécaire (%)	4,59	5,09	5,06	6,47
5 ans	6,23	6,77	5,99	7,81
Taux de chômage (%)	7,2	7,2	7,2	7,2

Bénéfices non répartis

Puisque la SCHL est une société d'État fédérale, ses résultats financiers font partie intégrante des résultats financiers et des projections budgétaires du gouvernement du Canada. Le surplus fédéral annuel, tant prévu que réel, inclut le bénéfice de la SCHL (prévu ou réel) pour l'exercice considéré. Les bénéfices non répartis de la SCHL correspondent au cumul des bénéfices (bénéfice net) et pertes des exercices antérieurs. Ils représentent l'investissement du gouvernement fédéral.



Importante modification de convention comptable en 2005

A compter du 1^{er} janvier 2005, la Société a adopté la Note d'orientation concernant la comptabilité n° 15 intitulée Consolidation des entités à détenteurs de droits

variables (NOC-15), publiée par l'Institut Canadien des Comptables Agréés, laquelle exige la consolidation de certaines entités à détenteurs de droits variables (EDDV) sur lesquelles le contrôle s'exerce autrement que par la détention de droits de vote. Cette modification de convention comptable a été appliquée rétroactivement, et les chiffres des années antérieures ont été redressés en conséquence.

Selon la NOC-15, une entité à détenteurs de droits variables est une entité qui ne dispose pas de capitaux propres à risque suffisants pour financer ses activités sans un soutien financier subordonné ou dont les détenteurs des capitaux propres à risque ne possèdent pas une participation financière avec contrôle. La Fiducie du Canada pour l'habitation (FCH) est une telle entité à détenteurs de droits variables. La NOC-15 stipule qu'une EDDV doit être consolidée par son principal bénéficiaire et qu'une entité est le principal

bénéficiaire d'une EDDV si elle assume la majorité des pertes prévues de l'EDDV et/ou reçoit la majorité des rendements résiduels prévus de celle-ci. La SCHL est réputée être le principal bénéficiaire de la FCH. Par conséquent, aux fins de comptabilisation, les états financiers de la FCH sont consolidés avec ceux de la SCHL.

Le fiduciaire de la FCH a conclu des ententes avec un certain nombre de parties, notamment la SCHL, pour la prestation de divers services à la FCH. Aux termes d'une de ces ententes, la SCHL garantit, à titre de mandataire du Canada, le paiement ponctuel des intérêts et du principal à l'échéance se rapportant à toutes les Obligations hypothécaires du Canada (OHC) émises par la FCH jusqu'à présent. Une fois accordée, la garantie fournie par la SCHL devient une obligation du gouvernement du Canada et est irrévocable jusqu'au remboursement intégral des OHC à leur échéance (généralement au cours des cinq années après leur émission). En outre, en vertu d'une convention de services financiers, la SCHL évalue la demande d'obligations sur le marché et l'offre de créances hypothécaires susceptibles d'être montées en blocs aux fins de vente à la FCH.

Résultats	SCHL	FCH	Eliminations	États financiers consolidés	Résultats (en millions de dollars)
Revenus	4 717	2 675	(58)	7 334	
Dépenses	3 253	2 675	(58)	5 870	
Impôts sur les bénéfices	462	—	—	462	
Bénéfice net	1 002	—	—	1 002	
Actifs	28 342	73 208	(457)	101 093	
Passifs	23 914	73 208	(457)	96 665	
Bénéfices non répartis	4 403	—	—	4 403	

L'inclusion des résultats de la FCH dans les états financiers consolidés pour l'exercice terminé le 31 décembre 2005, se traduit par une hausse de l'actif et du passif de 72 751 millions de dollars (54 336 millions en 2004) et par un accroissement des revenus et des dépenses de 2 617 millions de dollars (1 906 millions en 2004). On ne relève donc pas d'incidence sur le bénéfice net consolidé ni sur les bénéfices non répartis consolidés.

Le tableau ci-dessous résume l'incidence de la consolidation de la FCH sur les états financiers pour 2005.

relève donc pas d'incidence sur le bénéfice net consolidé ni sur les bénéfices non répartis consolidés.

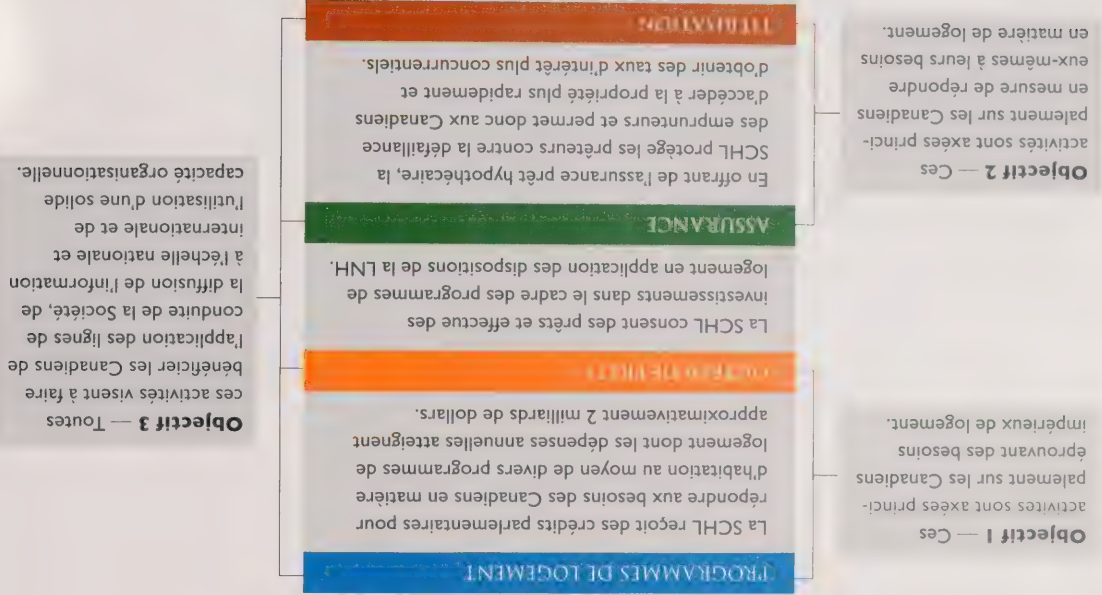
Le tableau ci-dessous résume l'incidence de la consolidat-

Conformément aux conventions d'acquisition et aux autres ententes pertinentes, la FCH acquiert une participation dans des blocs de titres hypothécaires (TH LNH), qui servent de garantie pour les OHC émises par la FCH afin de financer ces achats. Les actifs de la FCH n'appartiennent pas à la SCHL et ne sont pas détenus au bénéfice de cette dernière. Par conséquent, la SCHL ne peut en disposer pour les besoins de ses activités générales ni pour rembourser quelque élément de passif que ce soit. Les détails relatifs à la participation de la FCH dans les TH LNH et aux émissions d'OHC servant à financer ses achats sont énoncés respectivement aux notes jointes aux états financiers.

ANALYSE FINANCIÈRE DES ACTIVITÉS

La SCHL exerce quatre types d'activités qui englobent l'ensemble de ses secteurs d'activité et fonctions de soutien. Les crédits parlementaires et les pouvoirs de dépenser de la Société ainsi que ses activités commerciales et ses investissements sont classés en fonction de ces activités.

Les résultats financiers de la SCHL reflètent ses diverses activités, qui vont de l'application des programmes de logement destinés aux personnes dans le besoin aux activités d'assurance et de titrisation, lesquelles facilitent l'accès à des logements plus abordables par l'entremise du système canadien de financement de l'habitation. Bien que les activités de la SCHL pour aider les Canadiens dans le besoin ne visent aucun profit, les autres activités axées sur l'efficacité des marchés du financement de l'habitation sont exercées, conformément au mandat de la SCHL, de manière plus commerciale. Par conséquent, le bénéfice net est principalement tiré des activités d'assurance et de titrisation, tandis que les revenus et les dépenses se rapportent à l'ensemble des activités de la SCHL.



RAPPORT DE GESTION

Analyse financière des activités
Gestion des risques

ET LES PRÉVISIONS

Rapport annuel 2005 — Résultats

RÉSULTATS GLOBAUX									
	2005	2006	2007	2008	2009	2010			
	Prévisions	Prévisions	Prévisions	Prévisions	Prévisions	Prévisions			
Actif (en millions de dollars)*	88 588	107 111	109 534	104 243	106 344	107 354			
Passif (en millions de dollars)*	84 430	101 802	103 223	96 889	97 911	97 779			
Avoir du Canada (en millions de dollars)	4 158	5 309	6 311	7 354	8 433	9 575			
Revenus (en millions de dollars)*	7 069	7 968	8 137	8 141	8 069	8 168			
Dépenses (en millions de dollars)*	5 859	6 538	6 652	6 596	6 470	6 476			
Frais d'exploitation (en millions de dollars)*	368	384	383	391	398	406			
Bénéfice net après impôts sur les bénéfices (en millions de dollars)	817	965	1 002	1 043	1 079	1 142			
Fonds de réserve (en millions de dollars)	133	139	136	133	129	125			
Nombre d'années-personnes	1 902	1 917	1 857	1 863	1 862	1 874			
ASSURANCE ET TITRISATION									
Nouveaux prêts assurés (n ^{bre} de logements)	564 589	574 633	571 691	568 220	571 267	575 130			
Assurances en vigueur (en millions de dollars)	254 900	264 027	271 911	277 634	282 805	287 335			
Indemnités nettes (en millions de dollars)	202	171	201	217	236	231			
Valeur des titres garantis chaque année (en millions de dollars)	18 000	18 000	18 000	18 000	18 000	18 000			
Garanties en vigueur (en millions de dollars)	91 800	104 700	105 900	98 700	98 300	90 300			
Primes et droits perçus (en millions de dollars)	1 503	1 442	1 467	1 508	1 556	1 606			
Placements (y compris la trésorerie) (en millions de dollars)**	9 007	10 075	11 167	12 239	13 394	14 631			
Bénéfice net après impôts sur les bénéfices (en millions de dollars)	805	964	1 005	1 046	1 083	1 147			
Bénéfices non réparés non affectés (en millions de dollars)	182	1 497	2 201	3 089	4 019	5 094			
Bénéfices non réparés affectés à la capitalisation (en millions de dollars)	3 819	3 648	3 949	4 107	4 260	4 331			
APPLICATION DES PROGRAMMES DE LOGEMENT									
Nouveaux engagements — programmes de rénovation (nbre de logements)	22 675	19 054***	904	904	904	904			
Nouveaux engagements — Programme de logement sans but lucratif dans les réserves (nbre de logements)	892	4 007	922	922	922	922			
Nombre estimatif de ménages aidés grâce à des engagements à long terme	632 000	632 000	626 200	622 000	615 600	611 200			
Dépenses relatives aux programmes de logement (frais d'exploitation exclus) (en millions de dollars)	2 103	2 059	1 883	1 913	1 875	1 862			
OCCUPATION DE PRÊTS									
Prêts et investissements se rapportant aux programmes de logement (en millions de dollars)	13 348	13 186	12 934	12 811	12 651	12 443			
Emprunts sur les marchés de capitaux (en millions de dollars)	9 317	9 146	9 124	9 342	9 405	9 419			
Emprunts auprès du gouvernement du Canada (en millions de dollars)	4 848	4 651	4 446	4 235	4 025	3 822			
Bénéfice net après impôts sur les bénéfices (en millions de dollars)	12	1	(3)	(4)	(4)	(4)			
FIDUCIE DU CANADA POUR L'HABITATION									
Actif (en millions de dollars)	63 686	81 016	82 429	76 019	76 978	76 978			
Passif (en millions de dollars)	63 686	81 016	82 429	76 019	76 978	76 978			

LE POINT SUR LES RÉALISATIONS

Le tableau ci-dessous résume les résultats et les prévisions de la SCHL pour chacun des principaux domaines d'activité. Les données sont présentées en millions de dollars, sauf indication contraire.

RÉSULTATS GLOBAUX					
Résultats	2001	Résultats	2002	Résultats	2003
Résultats	2004	Résultats	2005		
Actif (en millions de dollars)*	28 465	41 430	59 925	81 008	101 093
Passif (en millions de dollars)*	27 200	39 621	57 449	77 582	96 665
Avoir du Canada (en millions de dollars)	1 265	1 809	2 476	3 426	4 428
Revenus (en millions de dollars)*	4 106	4 634	5 563	6 560	7 334
Dépenses (en millions de dollars)*	3 543	3 779	4 556	5 161	5 870
Frais d'exploitation (en millions de dollars)*	214	257	294	305	303
Bénéfice net après impôts sur les bénéfices (en millions de dollars)	345	544	667	950	1 002
Fonds de réserve (en millions de dollars)	42	56	91	134	143
Nombre d'années-personnes	1 736	1 772	1 799	1 814	1 804
ASSURANCE ET TITRISATION					
Nouveaux prêts assurés (n° de logements)	507 237	583 225	517 795	652 573	746 157
Assurances en vigueur (en millions de dollars)	211 500	224 345	230 000	243 800	273 700
Indemnités nettes (en millions de dollars)	335	139	188	51	119
Valeur des titres garantis chaque année (en millions de dollars)	8 489	20 642	27 017	29 592	30 374
Garanties en vigueur (en millions de dollars)	34 684	45 473	59 994	80 800	103 709
Primes et droits perçus (en millions de dollars)	1 049	1 330	1 263	1 512	1 560
Placements (y compris la trésorerie) (en millions de dollars)**	4 914	6 021	6 910	8 097	9 380
Bénéfice net après impôts sur les bénéfices (en millions de dollars)	323	530	632	907	993
Bénéfices non répartis non affectés (en millions de dollars)	260	348	123	155	854
Bénéfices non répartis affectés à la capitalisation (en millions de dollars)	938	1 380	2 237	3 112	3 406
APPLICATION DES PROGRAMMES DE LOGEMENT					
Nouveaux engagements — programmes de rénovation (n° de logements)	23 800	24 850	18 467	25 539	21 990
Nouveaux engagements sans but lucratif dans les réserves (n° de logements)	1 050	1 050	968	978	1 045
Nombre estimatif de ménages aidés grâce à des engagements à long terme	640 800	638 850	635 900	632 650	633 000
Dépenses relatives aux programmes de logement (frais d'exploitation exclus) (en millions de dollars)	1 789	1 828	1 972	2 006	1 973
OCCUPATION DE PRÊTS					
Prêts et investissements se rapportant aux programmes de logement (en millions de dollars)	15 239	14 586	14 075	13 669	13 170
Emprunts sur les marchés de capitaux (en millions de dollars)	11 081	10 242	10 244	9 212	9 467
Emprunts auprès du gouvernement du Canada (en millions de dollars)	5 692	5 474	5 232	5 045	4 899
Bénéfice net après impôts sur les bénéfices (en millions de dollars)	22	14	35	43	9
FIDUCIE DU CANADA POUR L'HABITATION					
Actif (en millions de dollars)	4 716	18 125	35 422	54 975	73 208
Passif (en millions de dollars)	4 716	18 125	35 422	54 975	73 208

Les données sont présentées en millions de dollars, sauf indication contraire. Les données sont présentées en millions de dollars, sauf indication contraire. Les données sont présentées en millions de dollars, sauf indication contraire.

Nous avons fait connaître aux Canadiens les avantages que leur procure la SCHL

À titre d'organisme national responsable de l'habitation, la SCHL croit qu'il est important que les Canadiens comprennent le rôle du gouvernement fédéral dans un domaine du logement et les avantages de vivre dans un logement de qualité. C'est pourquoi la SCHL a toujours comme priorité de faire connaître davantage ses programmes et ses services.

Au printemps et à l'automne 2005, la SCHL a mené une campagne de publicité axée sur les acheteurs d'habitations et les propriétaires-occupants. Ces campagnes faisaient la promotion de la gamme de produits et d'outils que la SCHL a élaborés pour aider les Canadiens à prendre des décisions éclairées en matière d'habitation et pour favoriser l'efficacité énergétique. La notoriété spontanée de la SCHL en tant qu'organisme national responsable de l'habitation atteignait 27 % à l'automne 2005, contre 21 % l'année précédente, tandis que la notoriété globale passait à 81 %, ce qui représente une légère augmentation par rapport au pourcentage de 80 %, enregistré à l'automne 2004.

Mesure de rendement	Résultat 2004	Objectif 2005	Résultat 2005	Objectif 2006
Notoriété globale de la SCHL (%)	80	76	81*	76
Notoriété spontanée de la SCHL (%)	21	18	27*	18

* Objectif atteint ou dépassé
† Objectif non réalisé

Nous avons investi dans des technologies éprouvées et fiables

Parce que ses investissements dans le domaine technologique permettent aux Canadiens d'obtenir une approbation accélérée de leur demande d'assurance prêt hypothécaire et leur procure un accès en ligne rapide et souple à la multitude de connaissances spécialisées qu'elle possède, la SCHL s'efforce d'investir dans des systèmes technologiquement avancés et fiables. En 2005, les systèmes informatiques de la SCHL étaient accessibles pratiquement tout le temps, comme en témoigne l'indice de fiabilité technologique (indicateur global d'excellence sur le plan technique), qui est demeuré stable à 99,8 %.

Mesure de rendement	Résultat 2004	Objectif 2005	Résultat 2005	Objectif 2006
Indice de fiabilité technologique des systèmes essentiels (%)	99,8	99,7	99,8*	99,7
Part du budget de fonctionnement affecté aux technologies de l'information (%)	16,7	16,0	15,9*	16,0

* Objectif atteint ou dépassé
† Objectif non réalisé



ANALYSE DES RÉSULTATS

Nous avons innové dans le domaine de la gestion des ressources humaines

En matière de ressources humaines, la SCHL a mis en place une série de mesures se comparant avantageusement aux pratiques exemplaires adoptées par d'autres organismes. La Société tire largement avantage de la mise en place d'un bon cadre de gestion de la relève. Le processus s'est précisé grâce à la détermination, à tous les niveaux, des postes critiques dont les titulaires doivent être remplacés. Cet exercice a été complété par une évaluation des successeurs éventuels, et des plans d'action sont actuellement mis en œuvre relativement à la relève. La SCHL a également mis en œuvre une stratégie de gestion de la relève en élaborant un cadre d'intégration des talents qui sera achevé au cours de l'année 2006.

De façon générale, le besoin de continuer à miser sur le recrutement et sur le recrutement se manifeste à la SCHL. La SCHL continuera de surveiller ses taux de maintien en poste de ses pratiques en matière de ressources humaines, notamment son nouveau cadre de gestion des talents, et de savoir si elle tient compte de la concurrence sur le marché du travail. Une part importante des crédits qui devaient être affectés à la formation en 2005 ont été reportés à 2006 de manière à ce que les projets de formation répondent mieux aux besoins et aux priorités de la SCHL.

Mesure de rendement	Résultat 2004	Objectif 2005	Résultat 2005	Objectif 2006
Somme consacrée à la formation, par année-personne (\$)	2 090	2 546	1 857 †	s.o.
Taux de maintien en poste des récentes recrues	96,0 %	Conserver le taux sur un an de 96 %	94,1 % †	Taux de maintien en poste de 93 % (à 5 ans)

NOS POINTS FORTS

- Valeurs solides et bien acceptées qui guident toutes les activités.
- Bonne gestion confirmée par quatre examens spéciaux effectués par les superviseurs.
- Processus amélioré d'établissement des priorités qui garantit l'harmonisation de celles-ci avec les ressources.
- Cadre de gestion des risques détaillé et nombreux rapports sur les résultats de la Société en fonction de ses objectifs.

PROCHAINES ÉTAPES

- Veiller à disposer des processus requis pour que la direction soit davantage en mesure de relever les défis que pose l'atteinte des objectifs, en rétablissant l'ordre des priorités et en réaffectant les ressources au bon endroit.
- Perfectionner les méthodes et les indicateurs afin de mieux démontrer les avantages que comporte, pour les Canadiens, la série de programmes et de services offerts par la SCHL.
- Attirer les personnes possédant les compétences dont la SCHL a besoin en tant qu'organisme du secteur public.
- Terminer la mise en œuvre des plans de gestion de la relève pour tous les postes critiques et lancer l'initiative de gestion des talents.
- Procéder à un examen de la répartition de l'actif des fonds d'assurance et de titrisation afin d'en arriver à un meilleur appariement entre l'actif et le passif, ainsi qu'à une optimisation accrue du rendement.

FACTEURS AYANT UNE INCIDENCE SUR LES RÉSULTATS

Un besoin important de cadres de régie et de responsabilité fermes

Compte tenu des faillites récentes au Canada et aux États-Unis, les organismes de réglementation examinent et révisent actuellement les normes comptables afin d'assurer la transparence de l'information financière. De nouvelles règles liées aux contrôles internes ont également été adoptées pour accroître la qualité et la fiabilité des rapports financiers, maintenir la confiance des investisseurs et améliorer la gouvernance générale des sociétés faisant publiquement appel à l'épargne. Des règles canadiennes sont en cours d'élaboration, et le Secrétaire du Conseil du Trésor envisage leur application dans le cas des sociétés d'État.

L'importance accordée à la gestion efficace des risques ne cesse de croître

L'évolution des marchés et de la réglementation par rapport aux normes comptables, aux lignes directrices concernant les normes de fonds propres et à la conformité ont fait ressortir la nécessité d'améliorer la gouvernance grâce à une gestion efficace des risques. Les conseils d'administration participent de plus en plus à la gestion des risques et exigent des améliorations en ce qui a trait à la politique de gestion des risques, à la conformité et aux rapports financiers. L'importance que continuent d'accorder aux tendances relatives à la gestion des risques les organismes de réglementation, notamment par l'entremise de la Banque des règlements internationaux, ainsi que les agences de notation et les investisseurs, favorisent les progrès dans ce domaine et l'intérêt soutenu envers la gestion des risques en entreprise et le rôle qu'elle peut jouer dans les organisations.

Une concurrence accrue pour les travailleurs qualifiés

Le marché du travail actuel est en pleine transformation. Au moment où le vieillissement de la population modifie les besoins et les préférences en matière d'habitation partout au pays, les organisations commencent à faire face à des problèmes liés à la gestion des talents en raison de la retraite prochaine de nombreux membres de la génération du baby-boom. Au Canada, le nombre d'hommes et de femmes de 55 ans et plus qui travaillent a augmenté de 35 % entre 2001 et 2004, et ce groupe forme maintenant 13 % de la main-d'œuvre. À l'inverse, le nombre de travailleurs aptes à remplacer ceux qui partent à la retraite continue de diminuer.

Compte tenu de ces données démographiques, de l'intensification de la concurrence internationale et de la rapidité des changements et des innovations technologiques, de nombreux employeurs de mieux en mieux informés sont de plus en plus préoccupés par les risques de pénurie de main-d'œuvre qualifiée et par la nécessité de favoriser l'apprentissage et le perfectionnement des nouveaux travailleurs et de la main-d'œuvre existante. Ces mêmes facteurs rendent également plus nécessaire l'adoption de pratiques de gestion des ressources humaines concurrentielles permettant le recrutement et le maintien en poste d'une main-d'œuvre qualifiée de plus en plus recherchée.



Depuis sa création, la SCHL est à l'avant-garde des pratiques en matière de ressources humaines. Elle a mis en place des lignes de conduite et des programmes de premier plan ainsi qu'un régime d'avantages sociaux flexible et des options qui tiennent compte de l'évolution des employés et des modes de vie qu'ils choisissent. L'importance qu'elle accorde actuellement à la gestion de la relève témoigne de son désir de disposer des compétences et du savoir-faire nécessaires pour remplir son mandat et pour offrir aux Canadiens des programmes et des services très utiles. En 2006 et au-delà, la SCHL continuera de faire en sorte que ses employés disposent des outils les plus récents pour réussir sur le plan professionnel et d'un milieu propice à leur avancement. Le code d'éthique qu'elle s'est donné depuis longtemps et les valeurs qu'elle prône continueront également de sous-tendre ses activités.

3.3 Faire en sorte que la SCHL demeure un organisme solide, capable de remplir son mandat

■ CE QUE NOUS FAISONS

Nous veillons à ce que la SCHL demeure un organisme solide, responsable et progressiste en tirant de ses 60 années d'expérience pour répondre aux besoins des Canadiens en matière de logement.

■ EN QUOI C'EST IMPORTANT

Nous offrons aux Canadiens des avantages essentiels à leur qualité de vie et à leur bien-être. Une gestion efficace des ressources et un investissement efficace offrent respectivement une valeur accrue pour les Canadiens.

■ COMMENT NOUS Y PARVENONS

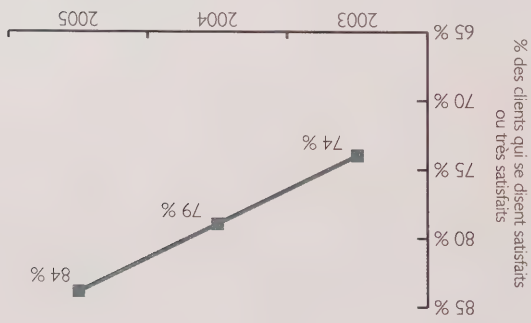
Nous menons nos activités d'une manière éthique et responsable, conscients que nos ressources humaines constituent notre actif le plus important.

Nous utilisons des procédés et des systèmes innovateurs, administratifs et technologiques efficaces.



Pour obtenir de plus amples renseignements sur les programmes et les services de la SCHL, veuillez visiter son site Web (www.schl.ca).

Les clients exportateurs de la SCHL sont, plus que jamais, satisfaits du service qu'ils reçoivent



en leur offrant des informations commerciales, des activités de jumelage, des stratégies d'accès aux marchés et des missions commerciales personnalisées. Pour aider les entreprises à pénétrer certains marchés, elle continuera de faire connaître et accepter les normes et les codes du bâtiment en vigueur au Canada et de faciliter l'homologation du système canadien du logement et son admission aux garanties visant les habitations.

Mesure de rendement	Résultat 2004	Objectif 2005	Résultat 2005	Objectif 2006
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Taux global de satisfaction des principaux clients exportateurs (%)	79	70	84*	75 [†]
Valeur des ventes facilitées par la SCHL, selon les principaux clients (en millions de dollars)	67,8	55,2	66,7*	71,4

* Objectif atteint ou dépassé
† Objectif non réalisé

Le record de satisfaction atteint en 2005 a été plus élevé qu'on ne le prévoyait au moment de fixer l'objectif pour 2006, mais il en sera tenu compte au moment de fixer l'objectif pour 2007.

À long terme, l'objectif visé par la SCHL est l'accroissement des exportations canadiennes dans le domaine de l'habitation, ce qui permettra de créer des emplois dans ce secteur. Au cours des quatre à cinq prochaines années, les activités de la Société devraient créer ou préserver, au pays, quelque 4 000 années-personnes dans le secteur de l'habitation. La SCHL continuera d'aider ses clients importants à trouver des débouchés

Nous avons collaboré avec les exportateurs canadiens dans le domaine de l'habitation de manière à accroître leurs activités à l'étranger.

Bien que l'expansion aux États-Unis demeure importante, le secteur canadien de l'habitation et au savoir-faire au secteur canadien de l'habitation et au savoir-faire canadien, particulièrement le concept Super EMC, occupe place sur les principaux marchés.

37 clients importants ont déclaré des ventes de 67 millions de dollars (121 % de l'année précédente), qu'ils reconnaissent comme ayant été une adaptation des efforts de la SCHL sur les marchés tels que la Russie.

HL International se sont dits satisfaits de la proportion de 84 %, un record à présenter. Les résultats révèlent que les services fournis par HL International aboutissent non seulement à des relations mais également à un resserrage des relations et qui contribue à la création d'un lien fondamental de la compréhension des marchés et l'établissement de relations avec les agences partenaires. Ces étapes aident les exportateurs à faire de

NOS POINTS FORTS

- Excellente réputation dans le monde comme partenaire et conseiller fiable et compétent.
- Relations étroites et solides partenariats avec les principaux acteurs internationaux, tels que la Banque mondiale.
- Forte orientation-client : les clients exportateurs dans le domaine de l'habitation déclarent être très satisfaits des services de la SCHL.
- Capacité à produire des résultats tangibles pour les exportateurs : ces derniers indiquent que nous avons, au cours des quatre dernières années, contribué à créer près de 3 000 emplois et à réaliser des ventes à l'exportation évaluées à 260 millions de dollars.

NOTES

- Aider des entreprises relativement petites à tirer leur épingle du jeu dans un marché mondial hautement concurrentiel.
- Surmonter, dans certains marchés importants, l'obstacle que représente la forte hausse du dollar canadien de même que l'éventuelle faiblesse de l'économie.
- Faire face à l'augmentation du protectionnisme commercial.
- Intervenir dans des pays en développement ou des pays émergents, où il existe une certaine instabilité politique et économique.

PROCHAINES ÉTAPES

- Exposer à un public international les pratiques exemplaires du Canada, en 2006, à l'occasion du 26^e Congrès mondial de l'International Union for Housing Finance, qui est organisé par la SCHL, et du Forum urbain mondial dont le Canada sera l'hôte.
- Soutenir l'instauration de systèmes de financement de l'habitation et de politiques de logement efficaces dans les pays émergents.
- Augmenter les exportations de maisons Super EMC, en jumelant les fournisseurs canadiens de maisons usinées avec d'importants promoteurs immobiliers du Royaume-Uni et en établissant un programme en ce sens en Chine.

ANALYSE DES RÉSULTATS

Nous avons offert à différents pays des solutions en matière de logement

La prestation de services de consultation sur la scène internationale permet à la SCHL de proposer des solutions dans les domaines du logement et du financement de l'habitation afin de rendre les logements plus abordables et de faciliter l'accès à la propriété dans les pays visés. La SCHL collabore souvent avec des institutions financières internationales, des gouvernements étrangers et des organismes internationaux publics et privés, en partenariat, dans la mesure du possible, avec d'autres entreprises ou organismes canadiens. Les services de consultation offerts par la SCHL ont permis d'aider grandement un bon nombre de pays à relever leurs défis les plus pressants en matière d'habitation. La SCHL a aidé la Chine et la Lettonie à revoir leur façon de favoriser l'accès à l'habitation à coût abordable, et les banques algériennes, à développer leur marché hypothécaire. Elle est également intervenue en Inde, au Mali, en Cisjordanie et dans la bande de Gaza pour améliorer leur marché hypothécaire naissant.

En 2005, la SCHL a atteint son objectif et réalisé un revenu de 1,2 million de dollars au titre des services de consultation dans les domaines du logement et du financement de l'habitation. Elle a également signé, en 2005, un nombre appréciable de nouveaux contrats qui généreront des revenus. Ces contrats concernent, pour certains d'entre eux, des pays où la SCHL n'était jamais intervenue auparavant, tels que l'Oman, la Jordanie, la Thaïlande et la Corée du Sud. La SCHL a également été sollicitée pour fournir des conseils et des services dans des domaines de spécialité dont elle ne s'était encore jamais occupée à l'étranger, comme aider l'Égypte à se donner la capacité de fonder un observatoire urbain national s'inspirant de l'Observateur du logement au Canada, créé par la SCHL, ou mettre au point une politique du logement et un programme d'aide à la remise en état des logements en Cisjordanie et dans la bande de Gaza.

En 2006 et au-delà, la SCHL continuera de contribuer à l'application de la politique étrangère canadienne, qui consiste, entre autres, à soutenir le développement économique et social des pays émergents, tout en favorisant la prospérité au Canada.

Mesure de rendement	Résultats 2004	Objectif 2005	Résultats 2005	Objectif 2006
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Revenus tirés de la

vente du savoir-faire

de la SCHL à l'étranger

(en millions de dollars)

1,3

1,2

1,3 *

1,5

* Objectif atteint ou dépassé

† Objectif non réalisé

* Objectif réalisé en grande partie

Les exportations dans le domaine de l'habitation contribuent à la croissance économique

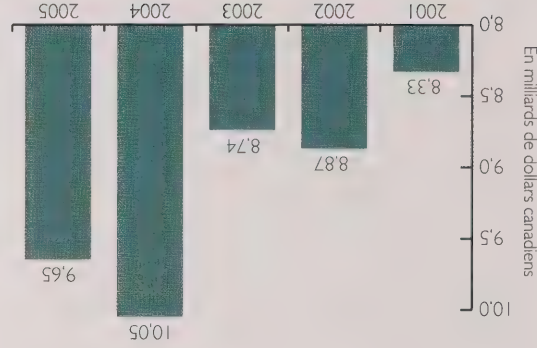
Il y a un risque de fléchissement des marchés mondiaux de l'habitation en 2006

Le Canada vend aux autres pays divers produits et services leur permettant de construire ou de rénover des habitations, à savoir des matériaux de construction, des composants préfabriqués, des systèmes de bâtiment complets, de même que son savoir-faire en matière d'urbanisme, de conception et de construction d'habitations. En 2005, les exportations de produits à valeur ajoutée reliés à l'habitation se sont élevées à 9,65 milliards de dollars, soit presque le même montant que l'année précédente. Les États-Unis demeurent de loin, la principale destination des exportations canadiennes puisqu'ils reçoivent 70 % de toutes les exportations de bâtiments préfabriqués.

Il existe, à l'échelle mondiale, un risque de fléchissement des marchés de l'habitation, notamment aux États-Unis et au Royaume-Uni. Le niveau d'endettement élevé des consommateurs peut devenir source de problèmes, particulièrement si l'on prend en considération la hausse du prix de l'essence et des frais de chauffage des habitations. L'incidence de la progression du coût de l'énergie et des frais de production sur l'inflation accroît la probabilité d'une augmentation des taux d'intérêt à court terme. Ces risques sont toutefois atténués quelque peu aux États-Unis, car les propriétaires bloquent actuellement leur prêt hypothécaire à un taux bas, ce qui les protège relativement contre une remontée des taux.

Exportations canadiennes de produits du bâtiment

(à l'exclusion du bois de sciage)



FACTEURS AYANT UNE INCIDENCE SUR LES RÉSULTATS

En général, la conjoncture économique est favorable aux exportateurs canadiens.

Plusieurs facteurs importants indiquent que les exportateurs canadiens ont une situation similaire en moyenne, et on s'attend à une croissance supérieure à la moyenne. L'économie mondiale est bonne : les années 2004 et 2005 ont affiché une croissance supérieure à la moyenne. En second lieu, les exportateurs sont sur le point d'enregistrer des gains de productivité considérables.

Enfin, la demande de biens et services canadiens, ce qui contrebalance en partie l'effet négatif de la forte appréciation du dollar canadien depuis 2003. Cela contribue à contrebalancer les effets de la hausse du dollar canadien sur la demande et sur les profits.

Dans l'ensemble, les perspectives d'exportation sont positives.

Il faut également mentionner le risque que l'augmentation du coût de l'énergie et les dépenses des consommateurs aux États-Unis et sur d'autres importants marchés du monde. Les exportateurs canadiens se tournent vers les pays en développement pour assurer leur croissance.

Bien que la principale destination des exportations canadiennes demeure les États-Unis, dans une proportion de 94 %, les exportateurs canadiens se tournent vers de nouveaux marchés pour assurer leur prospérité. Les marchés ayant le plus grand potentiel de croissance sont les pays en développement et les pays émergents. Les exportateurs canadiens y sont, conséquemment, de plus en plus présents. S'il est vrai que

ces marchés offrent de nouveaux débouchés pour les biens et services canadiens, il ne faut pas oublier que les exportateurs et les décideurs canadiens ont de nombreuses obstacles à surmonter, car ils doivent s'adapter aux différents contextes politiques et concurrentiels.

Par conséquent, il est de plus en plus important de soutenir les exportateurs pour faire en sorte que les entreprises canadiennes soient en mesure de profiter de l'augmentation du potentiel de marché et des débouchés extérieurs. Le gouvernement et le secteur de l'habitation poursuivent leurs efforts en vue de renforcer l'accès aux marchés nord-américains, tout en reconnaissant que les intérêts économiques du Canada dépassent largement les frontières de l'Amérique du Nord et que la prospérité du pays dépend de l'ouverture de marchés à potentiel élevé, en collaboration avec des partenaires.



La solide crédibilité dont jouit la SCHL à titre d'organisme national responsable de l'habitation a fait que la Société est devenue naturellement le représentant officiel du gouvernement canadien sur la scène mondiale en ce qui a trait aux questions relatives au logement. Au fil des décennies, la SCHL a établi des liens bilatéraux avec les gouvernements et les organismes de divers pays afin d'aider ceux-ci à accroître l'abordabilité et la qualité de leurs logements et de promouvoir les principes du développement durable en réaction à l'intense croissance urbaine à laquelle on assiste dans tous les coins du monde. En 1983, les Nations Unies ont décerné à la SCHL la Médaille de la paix 1982 pour avoir favorisé une meilleure compréhension des enjeux relatifs au logement, au bâtiment et à l'urbanisme. Les efforts déployés récemment par la SCHL sur la scène internationale sont axés sur la promotion du savoir-faire ainsi que des produits, des techniques et des services canadiens dans le domaine de l'habitation. En 2006 et au-delà, la SCHL continuera de promouvoir le système financier de l'habitation, lequel est considéré exemplaire dans de nombreux endroits du monde, car il permet d'offrir à la population des logements sûrs et de qualité, à un prix abordable.

3.2 Soutenir le système de logement, ainsi que les produits et les services canadiens reconnus mondialement et en faire la promotion sur la scène internationale

■ CE QUE NOUS FAISONS

Nous agissons comme consultants auprès de divers clients internationaux. Nous élaborons et mettons en œuvre des solutions en matière de logement et de financement de l'habitation qui leur permettent de relever les défis auxquels ils font face.

Nous nous adressons aux exportateurs canadiens du secteur de l'habitation pour promouvoir les produits et les services canadiens sur les marchés extérieurs.

Nous représentons le gouvernement du Canada, au pays et à l'étranger, en ce qui a trait aux questions touchant le logement.

■ EN QUOI C'EST IMPORTANT

Nous améliorons la qualité de vie et les conditions de logement dans les pays en développement et les pays émergents.

Nous contribuons à renforcer le secteur canadien des exportations dans le domaine de l'habitation, en plus de développer sa capacité d'innovation.

Nous aidons à créer des emplois partout au pays, ce qui stimule l'économie canadienne.

Nous faisons partie des Nations Unies et nous participons à des initiatives importantes telles que le processus de paix au Moyen-Orient.

■ COMMENT NOUS Y PARVENONS

Nous faisons valoir les avantages des solutions canadiennes en matière de logement et nous aidons les clients à prendre des décisions leur permettant de renforcer leur économie.

Nous soutenons les entreprises canadiennes dans leur démarche de diversification des marchés et dans leur recherche de débouchés à l'exportation.

Nous faisons valoir les avantages des solutions canadiennes en matière de logement.

LA BOÎTE À OUTILS DE LA SCHL

Pour atteindre cet objectif prioritaire, nous avons recours aux outils suivants :

- Services d'aide à l'exportation de SCHL International, dans le domaine de l'habitation
- Services de consultation de SCHL International
- Relations internationales de la SCHL



1966

La SCHL a obtenu un contrat d'une valeur de 2,1 millions de dollars pour construire 173 maisons conçues par la SCHL à Harlow en Angleterre.

Pour obtenir de plus amples renseignements sur les programmes et les services de la SCHL, veuillez visiter son site Web (www.schl.ca).

Nous avons favorisé l'efficacité énergétique dans les habitations canadiennes

Pour encourager les Canadiens à adopter des pratiques en partenariat avec Ressources naturelles Canada, la mise en application du nouveau Programme Énergide pour les ménages à faible revenu. Ce programme a pour but de réduire les coûts d'énergie en finançant certaines rénovations éconergétiques et être appliqué par le biais du réseau de mise en œuvre des programmes de rénovation de la SCHL. Le programme a pour objet également de compléter les initiatives des provinces et des territoires.

En 2005, la SCHL a accordé un soutien technique et financier en vue de dresser un plan de gestion énergétique pour le parc de logements sociaux et sans but lucratif de l'Ontario. Les fonds engagés pour accroître l'efficacité énergétique favorisent le renouvellement du parc de logements, contribuent à améliorer l'état de santé et le confort des occupants, accroissent la durabilité des bâtiments et diminuent les coûts d'utilisation. Ils contribuent aussi à maintenir et à soutenir les réseaux de distribution d'énergie et à réduire les besoins de

Nous avons, de concert avec les municipalités, favorisé le développement durable

En 2005, la SCHL a continué d'examiner la question du réaménagement des terrains contaminés et d'écouter deux collectivités où des projets pilotes de partage des risques pourraient être entrepris en 2006. S'ils sont couronnés de succès, les projets pilotes constitueront un modèle de densification résidentielle faisant appel au réaménagement de terrains contaminés selon une formule de partage des risques.

De nouveau, en 2005, la SCHL a concentré ses efforts sur les petites collectivités afin de leur offrir les ressources nécessaires pour qu'elles puissent prendre des décisions éclairées en matière d'urbanisme. Elle a organisé dans tout le pays des ateliers sur le développement durable à l'intention des petites municipalités, auxquels ont participé 300 conseillers et employés municipaux. Ces ateliers ont permis de mieux faire connaître les avantages de l'aménagement durable des collectivités, ainsi que les options et les ressources mises à la disposition des petites municipalités pour les aider à atteindre leurs objectifs.

La SCHL a également accordé son appui et participé à des ateliers de conception intégrée dans différentes collectivités du pays, y compris dans le Nord. Cette formule novatrice d'ateliers réunit des multiples intervenants et experts en conception pendant plusieurs jours pour trouver des solutions aux problèmes complexes propres à chaque emplacement. Ces ateliers contribuent à accroître l'acquisition de connaissances par les collectivités, à inspirer des solutions d'avantage innovatrices, à assurer une meilleure compréhension et un meilleur soutien des plans, et à favoriser une participation plus efficace des intervenants dans le processus de conception de bâtiments et d'aménagement de collectivités durables.



Dans la foulée de l'urbanisation accrue et des préoccupations relatives aux conditions de logement des familles à faible revenu, le leadership dont a fait preuve la SCHL durant les années 50 et 60 a contribué à étendre le rôle du gouvernement en matière de logement aux domaines de la rénovation urbaine et de l'urbanisme. D'abord centrées sur la construction d'habitations, les initiatives d'amélioration des quartiers ont ensuite porté sur l'aménagement de collectivités abordables, à revenu mixte, puis elles ont mis essentiellement sur le développement durable. Tirant parti de cette riche tradition, la SCHL a récemment affermi son rôle dans l'aménagement des collectivités. En allant de l'avant, elle continuera de mettre à profit ses partenariats et sa troussée d'outils pour mieux s'attaquer aux problèmes reliés au logement et trouver des solutions durables axées sur la collectivité partout au pays.

ANALYSE DES RÉSULTATS

Nous avons joué un rôle essentiel lors des consultations et de l'élaboration des lignes de conduite en vue du renouvellement de la stratégie nationale sur le logement

À titre d'organisme national responsable de l'habitation, la SCHL joue un rôle prépondérant en faisant en sorte que le système canadien du logement demeure l'un des meilleurs du monde, sans cesser d'évoluer pour répondre aux besoins changeants de tous les Canadiens. Elle revêt régulièrement le fonctionnement du système de logement dans le but de déceler les lacunes qui peuvent laisser certains Canadiens dans l'impossibilité d'avoir accès à un logement convenable et abordable, et elle propose des lignes de conduite et des programmes susceptibles de combler efficacement ces lacunes.

En 2005, la SCHL a collaboré avec ses partenaires en vue de formuler une stratégie nationale à long terme portant sur le logement, dans le dessein d'adapter le système de logement aux besoins changeants des Canadiens. Elle a aidé à organiser 11 forums communautaires, cinq tables rondes d'experts et une table ronde consacrée aux Autochtones vivant en milieu urbain dans le but de parvenir à une entente de portée générale quant à la voie à emprunter. Les consultations ont incité tous les ordres de gouvernement, les organismes communautaires et le secteur privé à unir leurs efforts pour mieux intégrer les programmes en place et élargir la gamme d'outils mis à la disposition des collectivités locales pour enrayer la source les causes mêmes de l'itinérance et des problèmes reliés à l'abordabilité des logements. En septembre 2005, des discussions au sujet d'un nouveau cadre de référence canadien sur le logement ont également eu lieu en compagnie des ministres responsables provinciaux et territoriaux du logement et des hauts fonctionnaires.

Une grande partie de nos recherches a porté sur le développement durable pour faire en sorte que les Canadiens demeurent l'un des peuples les mieux logés du monde

En 2005, la SCHL a versé 1 million de dollars pour lancer la première phase de l'initiative de la Maison saine à consommation énergétique nette zéro (MSCENZ), dans le cadre de laquelle un partenariat formé par le gouvernement et le secteur de l'habitation vise à réduire la consommation d'énergie et à aménager des collectivités saines en appliquant les principes de la Maison saine. C'est également la prochaine étape d'importance vers la création de collectivités durables et de villes saines au Canada.

NOS POINTS FORTS

- Savoir-faire étendu acquis depuis plus de 60 ans à titre d'organisme national responsable de l'habitation.
- Expérience approfondie et reconnue dans le domaine de l'élaboration de la politique du logement.
- Vaste réseau de relations établies avec les autres ordres de gouvernement et les intervenants des secteurs privé et sans but lucratif.
- Réseau d'application des programmes étendu et bien organisé dans les collectivités.
- Expérience de la mise en application des connaissances découlant des recherches pour stimuler le développement de concepts et de technologies.

DEFFIS ET RISQUES

- Faire en sorte que tous les Canadiens bénéficient d'un système de logement qui fonctionne bien.
- Établir un lien entre le logement et les questions de principe importantes touchant notamment l'environnement et l'infrastructure.
- Créer des programmes et établir des critères techniques qui répondent aux besoins des différents intervenants.

PROCHAINES ÉTAPES

- Gérer le processus de consultation fédéral-provincial-territorial et faciliter l'amélioration du système canadien du logement.
- Continuer d'élaborer des propositions de lignes de conduite à l'égard d'outils améliorés ou nouveaux, ou encore de possibles améliorations aux programmes en place.
- Contribuer à mieux comprendre la performance environnementale des logements.

FACTEURS AYANT UNE INCIDENCE SUR LES RÉSULTATS

Même si le Canada possède l'un des meilleurs systèmes de logement du monde, il y a lieu d'examiner périodiquement pour que les Canadiens continuent de récolter les fruits de l'évolution et du renouvellement.

Puisque le Canada dispose d'un système de logement qui fonctionne bien, environ 86 % des Canadiens sont en mesure de satisfaire leurs besoins en matière de logement. Toutefois, les besoins en matière de logement ne sont pas les mêmes partout. Par exemple, 14 % d'entre eux se trouvent dans l'impossibilité d'avoir accès à un logement sûr et abordable et que près de 50 000 sont considérés sans abri.

Lors de consultations menées à la fin de 2004 et au début de 2005, les intervenants du secteur de l'habitation ont constamment revendiqué l'adoption d'une démarche axée sur la collectivité et le partenariat, qui permettrait de tirer parti des programmes de logement en place et de lancer de nouvelles initiatives en vue d'une panoplie complète de programmes répondant aux besoins de tous les Canadiens. À la suite de ces attentes élevées, et les municipalités demandent instamment d'agir dans le dossier du logement abordable.



2003

Financement du projet de démonstration de collectivité durable de l'île Seabird dans la réserve de Seabird Island, à Agassiz (Colombie-Britannique), dans le cadre du Programme de logement dans les réserves offert par la SCHL. Le projet conjugué les dernières nouveautés en matière de construction et de conception d'habitations, tout en soulignant la culture autochtone.

Les habitations et les collectivités durables contribuent à la vigueur du système canadien du logement

Les logements constituent un élément essentiel de la durabilité environnementale et de la qualité de vie puisque leur construction, leur entretien et leur utilisation entraînent une forte consommation de ressources. Leur longue durée influe également sur la consommation d'énergie et sur d'autres aspects primordiaux de notre vie, tels que le transport, l'infrastructure, la collectivité, l'emploi et la santé. Le secteur résidentiel représente 18 % de la demande totale d'énergie au Canada, et une grande part du coût des infrastructures que doivent supporter les municipalités est attribuable à la vétusté des aménagements urbains à faible densité.

L'amélioration des techniques de construction continue d'avoir une importance primordiale pour freiner la demande totale d'énergie de la part du Canada, qui, selon les projections, devrait augmenter de 1,5 % par année jusqu'en 2025, en raison surtout de l'augmentation de la population et de la croissance économique. L'innovation dans le domaine des techniques et des matériaux de construction ainsi que la part de marché grandissante occupée par les appareils électroménagers éconergétiques ont considérablement relevé l'efficacité énergétique des maisons. Même si la consommation d'énergie totale des bâtiments résidentiels a augmenté de 3,7 %, de 1990 à 2001, la hausse aurait été six fois plus forte, n'eussent été les améliorations sur le plan de l'efficacité énergétique et de l'économie d'énergie. En moyenne, les habitations construites entre 2001 et 2004 consomment environ moitié moins d'énergie que celles qui datent d'avant 1946.

Les intervenants du secteur de l'habitation reconnaissent généralement que le coût des techniques de planification et de construction inefficaces et non respectueuses des principes du développement durable est trop élevé pour ne pas en tenir compte, et c'est d'ailleurs ce qui motive bon nombre de collectivités à se tourner vers d'autres modes de planification qui engagent toutes les parties dans le processus.

3.1 Faire en sorte que le système canadien de logement demeure l'un des meilleurs du monde

Objectif trois FAIRE EN SORTE QUE LE SYSTÈME CANADIEN DU LOGEMENT DEMEURE L'UN DES MEILLEURS DU MONDE

LA BOÎTE À OUTILS DE LA SCHL

Pour atteindre cet objectif prioritaire, nous avons recours aux outils suivants :

- Elaboration de la politique du logement
- Initiative de démonstration de la Maison saine à consommation énergétique nette zéro
- Ateliers sur le développement durable et la conception de collectivités
- Assurance prêt hypothécaire pour habitations éconergétiques
- Gamme de produits d'information et de services



1983
La SCHL reçoit, de la part des Nations Unies, la Médaille de la paix 1982 pour avoir favorisé l'entente entre les peuples des pays de la Commission économique pour l'Europe, en qualité d'hôte d'un voyage d'études sur l'habitation, la construction et la planification.

Pour obtenir de plus amples renseignements sur les programmes et les services de la SCHL, veuillez visiter son site Web (www.schl.ca).

■ CE QUE NOUS FAISONS

■ Nous donnons des conseils au gouvernement du Canada sur les questions touchant la politique du logement.

■ Nous sommes un chef de file dans la promotion des principes de la Maison saine et des collectivités durables.

■ EN QUOI C'EST IMPORTANT

■ Notre travail contribue à faire en sorte que le système canadien de logement demeure l'un des meilleurs du monde et que tous les Canadiens bénéficient des avantages de notre système de logement reconnu mondialement.

■ La Maison saine est avantageuse pour les gens qui l'habitent, pour la collectivité et pour la planète.

■ L'aménagement des quartiers et l'utilisation du sol selon les principes de développement durable permettent de réduire le coût des infrastructures et les répercussions sur l'environnement, tout en préservant l'habitabilité des collectivités.

■ COMMENT NOUS Y PARVENONS

■ Nous élaborons et mettons en œuvre une politique et des programmes de logement qui font en sorte que le gouvernement, les collectivités et le secteur de l'habitation unissent leurs efforts pour répondre aux besoins de tous les Canadiens.

■ Nous collaborons avec les universitaires, les membres du secteur de l'habitation, les gouvernements et d'autres intervenants dans le domaine du logement dans le but d'élaborer et de diffuser des pratiques exemplaires en matière de conception, d'aménagement et de normes.

■ Nous travaillons directement avec les collectivités pour trouver des solutions innovatrices respectueuses des principes de développement durable et adaptés à leurs besoins particuliers.

■ Nous favorisons l'efficacité énergétique et nous offrons des conseils pratiques et faciles d'accès pour la maison.

FAIRE EN SORTE QUE LE SYSTÈME CANADIEN DU LOGEMENT DEMEURE L'UN DES MEILLEURS DU MONDE

À titre d'organisme national responsable de l'habitation au Canada, la SCHL joue un rôle prépondérant en faisant en sorte que le système canadien du logement demeure l'un des meilleurs du monde. Depuis plus de 60 ans, nous n'avons jamais cessé d'évoluer pour répondre aux besoins changeants des Canadiens. En effet, nous favorisons la création de logements et d'aménagements résidentiels durables et sains, qui procurent des avantages à long terme aux Canadiens. Nous revoyons régulièrement le fonctionnement du système de logement dans le but de déceler les lacunes qui peuvent laisser certains Canadiens dans l'impossibilité d'avoir accès à un logement convenable et abordable. De plus, nous collaborons avec le gouvernement fédéral, la collectivité et nos partenaires du secteur de l'habitation en vue de combler ces lacunes.

Puisque nous comprenons les avantages que le système de logement apporte aux Canadiens, nous vendons notre savoir-faire aux pays étrangers qui se montrent intéressés à adapter nos solutions en matière de logement à leurs besoins et à leurs réalités. Nous faisons la promotion de la technologie du bâtiment résidentiel et des méthodes de construction canadiennes par le soutien que nous accordons aux exportateurs de produits et de services reliés à l'habitation.

Pour continuer d'exercer un rôle prépondérant dans le domaine du logement aussi bien au pays qu'à l'étranger, nous veillons à ce que la SCHL soit un organisme solide, capable de remplir son mandat et de relever les défis que lui réserve l'avenir.

RESSOURCES

91,7 millions de dollars de frais d'exploitation
686 années-personnes





La SCHL mènera d'autres enquêtes pilotes afin d'explorer de nouvelles sources de données sur le logement et elle terminera un examen visant à s'assurer que les produits et services qu'elle offre répondent encore adéquatement aux besoins de ses clients.

Mesure de rendement	Résultat 2004	Objectif 2005	Résultat 2005	Objectif 2006
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Exactitude des prévisions relatives aux mises en chantier d'habitations	-14 %	À 10 %	-6,8 %*	À 10 %
près des chiffres réels				près des chiffres réels

Rang occupé par la SCHL au classement des prévisionnistes pour ce qui est de l'exactitude des prévisions relatives aux mises en chantier d'habitations	4 ^e sur 17	Classement 17*	2 ^e sur 17	Classement
		dans le premier quartile		dans le premier quartile

Pourcentage des destinations de publications du Centre d'analyse de marché, qui les ont trouvées utiles	s.o. [†]	70	95*	70
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Pourcentage des participants aux conférences sur les perspectives du marché de l'habitation, qui les ont trouvées utiles	s.o. [†]	70	99*	80
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* Objectif atteint ou dépassé
† Objectif non réalisé

La collecte de données a commencé en 2005.

Tout au long de son histoire, la SCHL a effectué des recherches, recueilli beaucoup d'informations et acquis de vastes connaissances techniques concernant une foule de questions relatives au logement. Par ailleurs, la SCHL est la principale source de renseignements fiables et à jour sur le marché de l'habitation. En 1947, la SCHL a commencé à réaliser des enquêtes et à diffuser des statistiques sur le logement, ce qui a mené à la création de son Centre d'analyse de marché, en 1987. La SCHL continue de réserver une place de choix aux activités qui visent à examiner d'importantes questions en matière d'habitation et à transmettre ses connaissances et son savoir-faire pour améliorer les conditions de logement au Canada. Sa publication phare, *L'Observateur du logement au Canada*, trace chaque année un bilan statistique complet des conditions de logement des Canadiens et présente les principales tendances et les faits nouveaux qui influent sur cet important secteur de l'économie canadienne. En 2006, de même qu'au cours des années à venir, la SCHL continuera de concevoir des produits et de les présenter comme étant de précieux outils d'élaboration de politiques.

de l'habitation des renseignements fiables sur le marché

La SCHL, la fonction d'analyse de marché sur de l'habitation. Elle fournit des données locales, nationales et aux consommateurs, au secteur de l'habitation et aux administrations publiques. Pour que les membres du secteur et les consommateurs puissent prendre des décisions éclairées en matière d'habitation, la SCHL est arrivée deuxième au classement des 17 prévisions représentatives dans le domaine du logement au Canada, ce qui représente un gain de deux rangs par rapport à 2004. En novembre 2005, dans le but d'accroître la diffusion de ses publications, la SCHL a rendu accessible sur son site Web les éditions électroniques de sa collection de



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Lancement et démonstration du concept de la Maison saine à Toronto.



En 2005, la SCHL a continué d'élargir l'éventail des renseignements qu'elle obtient et fournit à ses clients. Elle a modifié son enquête sur les logements locaux afin de commencer à recueillir des données sur la disponibilité — distinctes de celles relatives à l'occupation — dans tous les centres comptant plus de 10 000 habitants. Les résultats, communiqués en décembre, donnent aux clients un aperçu plus complet des logements locaux disponibles. De plus, la SCHL a mené à bien une étude de faisabilité concernant des indicateurs du marché local secondaire (ce qui comprend les copropriétés louées, les duplex et les logements accessoires) et réalisé des enquêtes pilotes inspirées des conclusions de l'étude. Si les résultats des enquêtes justifient une mise en œuvre à grande échelle, la SCHL sera en mesure de fournir à ses clients des renseignements plus complets sur toutes les composantes du marché local.

Les conférences sur les perspectives du marché de l'habitation et les autres exposés d'analyse que présente la SCHL donnent aux intervenants du secteur de l'habitation diverses occasions d'échanger directement avec les spécialistes de la SCHL au sujet de leurs analyses et de leurs prévisions et de rencontrer d'autres intervenants du secteur. Des records d'affluence ont été enregistrés en 2005 : plus de 29 000 personnes ont participé aux 20 conférences et séminaires ainsi qu'aux 354 exposés présentés d'un bout à l'autre du pays.

Les publications d'analyse de marché et les conférences sur les perspectives du marché de l'habitation ont été fort appréciées : 95 % des lecteurs et 99 % des participants ayant répondu au sondage d'opinion les ont trouvées utiles. Les résultats relatifs à ces deux nouveaux indicateurs sont de loin supérieurs au taux cible initial de 70 %, et celui-ci sera révisé l'an prochain et ultérieurement, à mesure que la quantité de données disponibles augmentera.

NOS POINTS FORTS

- Principale source de renseignements fiables et objectifs sur l'habitation au Canada.
- Volumineuse base d'informations et vastes connaissances acquises en recueillant des données sur le logement et en effectuant des recherches dans le domaine de l'habitation pendant plus de 60 ans.
- Capacité d'informer les consommateurs, les dirigeants d'administrations municipales et d'autres intervenants du secteur de l'habitation à propos de questions de première importance qui concernent le logement.

IMPACT SOCIAL

- Utiliser les résultats des recherches et les produits d'information de la SCHL pour élaborer et mettre en œuvre des mesures d'intérêt public.
- Promouvoir le large éventail de ressources et de produits de la SCHL auprès du grand public et cibler les consommateurs ayant des besoins bien précis.
- Transmettre efficacement le savoir-faire de la SCHL pour sensibiliser les intervenants du secteur de l'habitation aux questions importantes qui ont trait au logement.

PROCHAINES ÉTAPES

- Continuer d'adapter les produits d'information aux besoins de la clientèle tels que la SCHL les perçoit à la lumière des sondages qu'elle mène régulièrement sur la satisfaction des clients.
- Revoir les méthodes employées pour la réalisation des relevés sur les mises en chantier et les achèvements et des enquêtes sur les logements locatifs.
- S'assurer que la gamme des produits et services d'analyse de marché demeure pertinente aux yeux des clients.

En 2005, par exemple, la SCHL a organisé 26 ateliers sur la prévention de la moisissure lors de la construction et de la rénovation ainsi que sur l'inspection de la qualité de l'air intérieur, en vue d'accroître la capacité du secteur de l'habitation (entrepreneurs en construction et en rénovation, inspecteurs, professionnels de la santé et agents du bâtiment) de remédier aux problèmes liés à la qualité de l'air. La SCHL a également offert des ateliers portant sur des concepts architecturaux contribuant à la flexibilité et à l'accessibilité des espaces habitables, afin de renseigner les Canadiens, les membres du secteur de l'habitation et d'autres spécialistes à propos de modifications relativement abordables qui peuvent rendre une habitation accessible à des aînés ou à des personnes ayant des besoins particuliers.

Mesure de rendement	Résultat 2004†	Objectif 2005	Résultat 2005	Objectif 2006
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Pourcentage des destinataires des rapports de la collection « Le Point en recherche » nouvellement publiés, qui les ont trouvés utiles	70	70	69*	70
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Pourcentage des destinataires des feuilles documentaires de la série « Votre maison » nouvellement publiés, qui les ont trouvés utiles	84	80	83*	80
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Pourcentages des participants aux séminaires d'information, qui les ont trouvés utiles	s.o.	70	94*	70
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† Les données de 2004 correspondent aux résultats de l'enquête de base effectuée dans le but de fixer des objectifs pour l'année 2005. La cible reste la même pour 2006, car tout changement éventuel requiert au préalable un large échantillon de données.

* Objectif atteint ou dépassé
† Objectif non réalisé

FACTEURS AYANT UNE INCIDENCE SUR LES RÉSULTATS

Le logement est une composante clé de l'économie canadienne

Après plusieurs très bonnes années, les dépenses liées au logement (en dollars courants) se sont accrues de 5,4 % en 2005 alors que l'activité économique a progressé de 6,3 %. La croissance de l'emploi a continué d'être plus forte dans le secteur de la construction que dans la plupart des autres industries.

une très grande confiance, même si cette dernière s'est détériorée quand le prix de l'essence a monté en flèche, après le passage des ouragans qui ont touché la côte du golfe du Mexique au début de l'automne. Ce haut niveau de confiance devrait se maintenir tout au long de 2006, car les taux d'intérêt resteront bas et les revenus continueront de croître. Le raffermissement de la confiance des consommateurs devrait se traduire par une hausse des dépenses de consommation au cours des prochains mois, auquel cas la demande de logements pour propriétaires-occupants et les activités de rénovation

Le logement a une incidence déterminante sur la qualité de vie

L'accès à des logements abordables qui sont de taille et de qualité convenables contribue pour beaucoup à la santé et au bien-être des Canadiens. Le niveau d'instruction, le taux de criminalité et la santé de la population en général sont tous liés aux conditions de logement et à l'offre d'habitations. L'information sur les options de logement, les marchés, les coûts, l'efficacité, la durabilité, la qualité de l'air intérieur et d'autres sujets pertinents contribue à maximiser les bienfaits sociaux qui résultent des investissements dans le domaine du logement.

Pour que les Canadiens continuent d'être logés convenablement, que des décisions éclairées soient prises au bénéfice de tous et que l'on tienne compte de questions relatives au logement au moment de prendre des décisions stratégiques de grande portée, il faut que les membres du secteur de l'habitation, les consommateurs, les analystes de politiques et les autres intervenants dans le domaine du logement aient à leur disposition de l'information et des données sur le marché.

ANALYSE DES RÉSULTATS

Nous avons fourni aux Canadiens et au secteur de l'habitation les résultats d'importantes études sur le logement

Toute information pertinente, complète et à jour sur le logement aide les Canadiens à prendre des décisions éclairées en la matière et contribue à la bonne tenue du secteur de l'habitation au pays. C'est pourquoi la SCHL offre des renseignements exhaustifs : analyses et prévisions relatives au marché de l'habitation; renseignements techniques destinés aux constructeurs et aux rénovateurs; guides pratiques à l'intention des consommateurs.

En 2005, la SCHL a élaboré ou révisé 113 produits d'information découlant de ses activités de recherche. Elle a publié 56 rapports de la collection « Le Point en recherche », lesquels contiennent des renseignements pertinents sur divers sujets d'ordre socio-économique ou technique. De plus, la SCHL a continué de préparer et de publier des feuillets documentaires de la série « Votre maison », qui traitent de questions et de problèmes courants dans le domaine de l'habitation. D'autres ouvrages de recherche sur le logement ont été publiés en 2005. En voici quelques exemples :

- *L'Observateur du logement au Canada*, troisième édition
- *Construction de maison à ossature de bois — Canada* (révisé)
- *Votre guide pour la location d'un logement* (révisé)
- *Guide de l'habitation coopérative* (nouveau)

Pour qu'un plus large éventail de personnes profite des bienfaits apportés par les programmes de recherche et le savoir-faire de la SCHL en matière d'habitation, ainsi que pour favoriser la prise de décisions plus éclairées, la SCHL a présenté plus de 350 exposés sur divers sujets, devant près de 17 000 personnes. Les séminaires d'information trouvés les exposés et les séminaires d'information fort utiles. Le taux de satisfaction global à l'égard des séminaires a atteint 94 %, un pourcentage de loin supérieur au taux cible de 70 %. Puisque l'indicateur a été utilisé pour la première fois en 2005 pour déterminer si l'objectif visé avait été atteint, les taux cibles seront ajustés en conséquence pour les années à venir.



2.3 Fournir de l'information exhaustive, pertinente et à jour, de manière à permettre aux consommateurs canadiens et aux membres du secteur de l'habitation de prendre des décisions éclairées

■ CE QUE NOUS FAISONS

À titre d'experts en habitation au Canada, nous offrons un large éventail de renseignements objectifs et fiables en la matière.

■ EN QUOI C'EST IMPORTANT

Nous aidons les intervenants du secteur de l'habitation à prendre des décisions en toute connaissance de cause. Nous aidons aussi les consommateurs à faire des choix éclairés, que ce soit pour l'achat, la location, la rénovation ou l'entretien de leur habitation.

■ COMMENT NOUS Y PARVENONS

Nous travaillons avec des universitaires, des organismes gouvernementaux et des spécialistes du secteur de l'habitation pour fournir des données et mener des études de première qualité. Nous transmettons nos connaissances et notre savoir-faire aux membres du secteur de l'habitation par voie de conférences, de séminaires et de communications. Nous rendons nos produits d'information facilement accessibles, en les offrant par l'entremise du Centre canadien de documentation sur l'habitation (CCDH), au 1 800 668-2642, et de notre site Web.



La SCHL commence à diffuser des précieuses statistiques sur les mises en chantier et les achèvements, de même que de l'information sur les nouvelles techniques de construction.

LA BOÎTE À OUTILS DE LA SCHL

Pour atteindre cet objectif prioritaire, nous avons recours aux outils suivants :

Publications de recherche

- L'Observateur du logement au Canada
- Collection « Le Point en recherche »
- Série de feuilles documentaires « Votre maison »
- Divers ouvrages de référence d'actualité, tels que :
 - Construction de maison à ossature de bois — Canada
 - Manuel du propriétaire-occupant
 - Votre maison : l'entretien et la réparation
 - Votre guide pour la location d'un logement
 - Guide de l'habitation coopérative

Initiatives de recherche

- Programme de recherche commandée
- Programme de subventions de recherche
- Comité national de recherche sur le logement
- Prix d'excellence en habitation
- Abordabilité et choix toujours
- Diffusion de l'information (séminaires, exposés, bulletins d'information électroniques)
- Rapports Perspectives du marché de l'habitation
- Rapports Actualités habitation
- Statistiques sur l'habitation
- Rapports sur le marché locatif
- Séries de données chronologiques
- Conférences et séminaires sur les perspectives du marché de l'habitation

Produits d'analyse de marché

Pour obtenir de plus amples renseignements sur les programmes et les services de la SCHL, veuillez visiter son site Web (www.schl.ca).

Nous avons élargi la portée de notre programme de titrisation afin de mieux répondre aux besoins des institutions qui accordent des prêts hypothécaires.

La SCHL a créé les titres hypothécaires en vertu de la Loi nationale sur l'habitation (TH LNH) afin d'offrir une solution de rechange aux placements dans des créances hypothécaires distinctes. Pour la première fois, les particuliers avaient la possibilité d'investir dans un bloc de créances résidentielles assurées, consenties par des prêteurs hypothécaires canadiens, et de bénéficier d'une garantie de paiement ponctuel accordée par la SCHL. Ainsi, la SCHL a pu contribuer à faire en sorte que des fonds à faible coût soient immédiatement disponibles pour le financement de l'habitation et que les frais d'entretien demeurent les plus bas possible, au bénéfice des propriétaires-occupants. Forte de ce succès, la SCHL a lancé, en 2001, les Obligations hypothécaires du Canada (OHC) dans le but de faciliter l'accès des Canadiens à des prêts hypothécaires à faible coût et le maintien de bas taux d'intérêt, ce qui a contribué à rendre les logements plus abordables.

La SCHL continue de jouer un rôle de chef de file sur les marchés hypothécaires secondaires au Canada. En 2005, elle a élargi la portée de son programme de titrisation afin de mieux répondre aux besoins des investisseurs et des institutions qui accordent des prêts hypothécaires et elle continuera d'examiner différentes options et possibilités, de manière à contribuer à la réduction du coût de possession d'une habitation, au bénéfice des Canadiens.

La SCHL a également efforcée d'élargir l'accès des institutions financières habilitées à titriser et à émettre des titres hypothécaires par l'entremise de ses programmes de titrisation et elle a apporté plusieurs améliorations à son Programme des TH LNH et à l'OHC afin d'accroître l'offre et de réduire les frais que doivent supporter les propriétaires-occupants canadiens tout en leur permettant de choisir parmi divers types de prêts hypothécaires. La SCHL a notamment apporté de nouveaux assouplissements à son Programme des OHC afin de garantir des titres fondés sur des créances hypothécaires à taux révisable, lesquelles jouissent d'une grande popularité auprès des propriétaires-occupants canadiens, et permettre la titrisation de créances hypothécaires.



NOS POINTS FORTS

- **Chef de file sur les marchés hypothécaires secondaires au Canada.** La SCHL favorise les occasions de placement sûr et de grande qualité dans des créances hypothécaires résidentielles.
- **Programmes de titrisation bien conçus réduisant au minimum les risques de défaillance des institutions financières participantes, auxquels la SCHL est exposée.**
- **Liens étroits avec les milieux financiers au Canada et bonne compréhension des besoins des investisseurs et des institutions qui accordent des prêts hypothécaires.**

DEFS ET RISQUES

- **Positionner les titres fondés sur des créances hypothécaires garanties par la SCHL sur un marché du financement de l'habitation en constante évolution, ce qui entraînera vraisemblablement une demande accrue de produits de titrisation plus complexes.**
- **Elaborer des méthodes novatrices permettant aux institutions financières de titriser une gamme accrue de créances hypothécaires de manière à continuer de contribuer à la réduction du coût de possession d'une habitation, au bénéfice des Canadiens.**

- **Établir une structure organisationnelle appropriée et engager des personnes compétentes pour tirer efficacement profit des occasions de titrisation des créances hypothécaires.**

PROCHAINES ÉTAPES

- **Mettre en œuvre une stratégie d'orientation tenant compte des changements d'ordre réglementaire et autres qui seront apportés au contexte opérationnel de la SCHL.**
- **Continuer de collaborer avec les acteurs du marché à la création de nouveaux produits de titrisation, notamment des produits bonifiés destinés aux petits prêteurs.**
- **Accroître les activités visant à établir des relations avec les principaux investisseurs et les principaux courtiers.**

En 2005, le Programme des OHC a permis de recueillir des fonds à des taux concurrentiels, car les OHC affichaient un écart moyen de 9,2 points de base par rapport aux titres à cinq ans équivalents du gouvernement du Canada. Au moment de l'émission des OHC, en septembre, l'écart était de 7,6 points de base, ce qui constitue la marge la plus mince depuis la création du programme. Par conséquent, les investisseurs considèrent les OHC presque comme des obligations du gouvernement du Canada pour ce qui est du risque et de la liquidité, ce qui contribue à faire des OHC un placement avantageux pour une vaste gamme d'investisseurs canadiens et à accroître leur attrait sur le marché international.

La valeur totale des garanties accordées en 2005 s'élève à 30,4 milliards de dollars, ce qui porte les garanties en vigueur à 103,7 milliards de dollars, en hausse de 28 % depuis 2004. Au moment de l'élaboration du Plan d'entreprise, on présumait que la tendance à la hausse des taux d'intérêt refroidirait le marché de l'habitation. Cependant, une bonne partie de l'augmentation des créances titrisées au cours de l'année est attribuable à la forte demande enregistrée, en 2005, sur le marché de l'habitation et sur celui des obligations.

Mesure de rendement	Résultat	Objectif	Résultat	Objectif
2004	2005	2004	2005	2006

Valeur des titres garantis par année (en millions de dollars)

* Objectif atteint ou dépassé
† Objectif non réalisé

* Objectif réalisé en grande partie

29 592 18 000 30 374* 18 000

La FCH vend des OHC aux investisseurs et utilise les fonds ainsi recueillis pour acheter des TLTN nouveaux. Pour offrir aux investisseurs un placement équivalant à des obligations FCH transforme les flux de trésorerie mensuels provenant des TLTN en flux de trésorerie relatifs à des obligations sans amortissement, assorties d'un taux d'intérêt fixe et dont le principal est remboursable à l'échéance. Outre le fait de garantir le paiement ponctuel des sommes dues aux détenteurs d'OHC, la SCH joue le rôle de conseiller en services financiers auprès de la FCH pour ce qui est de la détermination de la demande d'obligations sur le marché et de l'engagement d'un syndicat financier pour la souscription des émissions d'OHC. La FCH paie un droit à la SCH en contrepartie des services que cette dernière lui rend à titre de garant et de conseiller en services financiers. L'administration courante de la FCH est confiée à une entité distincte, soit l'administrateur de la fiducie.

FACTEURS AYANT UNE INCIDENCE SUR LES RÉSULTATS

L'économie et le marché de l'habitation

En 2005, la vigueur soutenue du marché de l'habitation et de celui des obligations s'est traduite par une forte demande de nouveaux produits de titrisation de la part des émetteurs et des investisseurs. Étant donné la faiblesse constante des taux hypothécaires au cours des cinq dernières années, la popularité des prêts hypothécaires à taux variable et à taux révisable s'est accrue considérablement parmi les acheteurs d'habitations. Par conséquent, la demande de produits de titrisation fondés sur des créances hypothécaires à taux variable et à taux révisable a augmenté.

Au Canada, on constate également une intensification de la concurrence dans le domaine du crédit à la consommation et on assiste à l'apparition de nouveaux prêteurs et de nouveaux types de prêts hypothécaires conçus pour permettre aux consommateurs de tirer davantage parti du crédit.

Réglementation

Beaucoup des tendances et des problèmes similaires auxquels la SCHL doit faire face dans le domaine de l'assurance prêt hypothécaire auront également une incidence sur ses activités de garantie dans le cadre du Programme des titres hypothécaires en vertu de la Loi nationale sur l'habitation (TLNH) et du Programme des Obligations hypothécaires du Canada. Dans l'ensemble, toutefois, l'accord de Bâle II ou les modifications qui seront éventuellement apportées à la Loi sur les banques ne devraient pas avoir une incidence négative sur la demande de titres fondés sur des créances hypothécaires garanties par la SCHL, puisque les prêteurs auront toujours besoin de fonds à faible coût destinés au crédit hypothécaire. Cependant, étant donné que seules les créances hypothécaires assurées peuvent être titrisées par l'entremise des programmes de titrisation de la SCHL, s'il n'est plus nécessaire que les prêts hypothécaires à rapport prêt-valeur élevé soient assurés, il se peut que la titrisation des créances hypothécaires garanties par la SCHL devienne plus coûteuse pour les institutions financières, qui ne pourront peut-être pas faire payer l'assurance par les emprunteurs.

Néanmoins, on s'attend à ce que le système canadien du financement de l'habitation continue de passer d'un modèle fondé sur les dépôts figurant au bilan à un modèle où la titrisation, vraisemblablement assortie d'une forme de garantie de l'État, dominera. Les changements que connaîtra le contexte opérationnel se traduiront fort probablement par des pressions accrues en faveur d'un raffinement sans cesse croissant des produits de titrisation et du développement de la capacité de la SCHL à envisager d'autres façons d'améliorer la solvabilité, par opposition à l'approche actuelle qui ne mise que sur l'assurance prêt hypothécaire.

Examen du cadre d'emprunt des sociétés d'État

Le ministère des Finances procède actuellement à l'examen du cadre d'emprunt des principales sociétés d'État et de les intégrer au programme d'emprunt du gouvernement. L'examen englobe également les activités sur le marché des capitaux de la Fiducie du Canada pour l'habitation (FCH), une fiducie indépendante qui émet les Obligations hypothécaires du Canada.

Même si la titrisation des créances hypothécaires continuera de progresser au Canada, il se peut que cet examen ait des répercussions sur le rôle et les activités de la SCHL dans ce domaine, notamment sur le Programme des Obligations hypothécaires du Canada. Un cadre d'emprunt centralisé pourrait avoir une incidence sur les stratégies de la SCHL et de la Fiducie du Canada pour l'habitation en matière d'emprunt et de gestion de l'actif et du passif. La SCHL continuera de travailler en étroite collaboration avec les organismes qui participent à cet examen afin d'améliorer l'efficacité des activités d'emprunt du gouvernement fédéral.

2.2 Accroître l'offre de fonds à faible coût destinés au crédit hypothécaire en élargissant la portée du programme de titrisation

■ CE QUE NOUS FAISONS

Nous garantissons le paiement ponctuel des sommes dues (principal et intérêts) aux détenteurs de titres fondés sur des créances hypothécaires résidentielles.

■ EN QUOI C'EST IMPORTANT

Par nos activités, nous faisons en sorte que des fonds à faible coût soient toujours disponibles pour répondre à la demande de prêts hypothécaires. Nous contribuons ainsi au maintien des taux hypothécaires à leur niveau le plus bas possible, au bénéfice des Canadiens qui achètent des habitations.

■ COMMENT NOUS Y PARVENONS

Nous concevons et mettons en application des programmes de titrisation dans le but de garantir des titres fondés sur des créances hypothécaires, émis par des institutions financières et par la Fiducie du Canada pour l'habitation, tout en tenant compte des besoins des établissements qui octroient des prêts hypothécaires et des intérêts des investisseurs. Puisque les créances hypothécaires étirées font partie du portefeuille des prêts, nous pouvons disposer de fonds supplémentaires pour accorder des prêts hypothécaires aux consommateurs. Nous nous efforçons d'accroître la participation des investisseurs à ces émissions sur le marché des capitaux afin de créer un marché liquide pour les titres fondés sur des créances hypothécaires.

LA BOÎTE À OUTILS DE LA SCHL

- Pour atteindre cet objectif prioritaire, nous avons recours aux programmes suivants :**
- Programme des titres hypothécaires en vertu de la Loi nationale sur l'habitation (TLNH)
 - Programme des Obligations hypothécaires du Canada (OHC)



1986
Lancement des titres hypothécaires afin d'assurer l'offre de fonds à faible coût pour les prêts hypothécaires.

Pour obtenir de plus amples renseignements sur les programmes et les services de la SCHL, veuillez visiter son site Web (www.schl.ca).

réduit de 15 % ses primes d'assurance hypothécaire pour les accédants à la propriété disposant d'une mise de fonds de 5 % afin de faire bénéficier les consommateurs des avantages découlant de l'amélioration des méthodes d'analyse et de la réalisation de gains d'efficacité. Il s'agit de la deuxième réduction du même ordre en deux ans. Parmi les autres améliorations apportées aux produits d'assurance prêt hypothécaire, mentionnons les suivantes :

- la mise en place de nouveaux assouplissements visant le remboursement de 10 % de la prime d'assurance hypothécaire applicable aux habitations éconergétiques et l'inclure tous les types de logements en copropriété;
- l'abolition complète des primes d'assurance prêt hypothécaire pour les ensembles de logements neufs financés dans le cadre de l'initiative en matière de logement abordable;
- la réduction de 15 % de la prime d'assurance prêt hypothécaire pour les ensembles de logements localisés dans le Centre du partenariat de la SCHL, de même que l'assouplissement d'autres règles de souscription et l'élimination de la surprime relative à la prolongation de la période d'amortissement dans le cas des ensembles de logements abordables.

En 2006, la SCHL poursuivra la mise en œuvre de nouveaux produits d'assurance pour propriétaires-occupants afin de mieux servir les emprunteurs et les prêteurs. Elle proposera de nouveaux produits d'assurance conçus pour répondre aux besoins des propriétaires-occupants relativement mal servis et à ceux des établissements qui octroient des prêts hypothécaires.

Mesure de rendement	Résultat 2004	Objectif 2005	Résultat 2005	Objectif 2006
Pourcentage des nouveaux prêts assurés (n° de logements) en vue de desservir des marchés négligés ou d'appuyer certaines priorités du gouvernement	36,6	33,0	33,7*	33,0
* Objectif atteint ou dépassé				
† Objectif non réalisé				
* Objectif réalisé en grande partie				

La vitalité des marchés de l'habitation a également permis à la SCHL d'atteindre, en 2005, la pleine capitalisation de ses activités d'assurance hypothécaire et de respecter ainsi les directives établies par le Bureau du surintendant des institutions financières.

Pour ce qui est de l'avenir, si le niveau exceptionnellement bas des charges de remboursement hypothécaire a stimulé les marchés de l'habitation au cours des dernières années, le prix élevé des habitations et la hausse des taux hypothécaires vont accroître graduellement le coût des logements. La SCHL s'attend donc à une diminution du volume des prêts assurés en 2006, alors que les demandes de règlement demeureront faibles.

Mesure de rendement	Résultat 2004	Objectif 2005	Résultat 2005	Objectif 2006
Nouveaux prêts assurés (n° de logements)	652 573	564 589	746 157*	574 633
* Objectif atteint ou dépassé				
† Objectif non réalisé				
* Objectif réalisé en grande partie				

Nous avons permis à un plus grand nombre de Canadiens d'avoir accès au crédit à l'habitation et nous avons lancé des produits novateurs

En 2005, approximativement 34 % des logements ayant fait l'objet d'un prêt assuré par la SCHL étaient situés dans des marchés où cette dernière est le seul assureur hypothécaire ou dans des régions où le secteur privé est relativement moins actif. En particulier, la SCHL a assuré des prêts hypothécaires relativement à des centres d'hébergement et des maisons de retraite, des immeubles locatifs et des maisons mobiles, de même que dans des régions rurales et nordiques, dans des villes mono-industrielles et dans des réserves. En outre, en 2005, la SCHL a approuvé des demandes d'assurance prêt hypothécaire se rapportant à 4 400 logements abordables et elle a aidé, ainsi, des ménages à faible revenu à avoir accès à un logement à un coût modique. Au fil des années, la SCHL a continuellement perfectionné ses produits d'assurance prêt hypothécaire afin de tenir compte de l'évolution des besoins des Canadiens. L'année 2005 n'a pas fait exception à la règle puisque la SCHL a apporté plusieurs améliorations notables à ses programmes et à ses lignes de conduite afin de favoriser l'abordabilité des logements et le respect des principes du développement durable. Dans le cadre de son examen annuel de la tarification, elle a

ANALYSE DES RÉSULTATS

Nous avons offert des produits d'assurance prêt hypothécaire conçus au Canada pour permettre aux Canadiens d'avoir accès au financement dont ils ont besoin pour acheter une habitation.

Les Canadiens de tous les milieux tirent profit du bon fonctionnement des marchés du financement hypothécaire. La SCHL contribue à ce bon fonctionnement, notamment grâce à son assurance prêt hypothécaire qui protège les prêteurs contre la défaillance possible des emprunteurs, et ce, pendant la durée de leur prêt. Cet aspect revêt une importance particulière dans le secteur du financement de l'habitation, où la période d'amortissement des prêts est souvent plus longue que celle qui expose les parties aux fluctuations des marchés du logement. Grâce à cette protection, les prêteurs peuvent accorder des prêts hypothécaires aux Canadiens de toutes les régions du pays moyennant une mise de fonds de 5 % seulement, et ces prêts sont d'un taux d'intérêt similaire à celui consenti aux emprunteurs qui versent 25 % ou plus. De ce fait, l'avantage de Canadiens peuvent accéder à la propriété immobilière, ce qui est une propriété d'immobilier. Les prêts peuvent obtenir des prêts à coût abordable. Les institutions économiques et financières que nous prévoyons, conjuguées à l'amélioration des services de la SCHL, se traduit par un volume record de nouveaux prêts, plus de 746 000 logements financés par la SCHL, ce qui est un prêt assuré par la SCHL, ce qui contribue à protéger la Société contre des pertes futures, notamment par suite d'activités frauduleuses. Par conséquent, les dépenses nettes liées aux règlements payés sur les prêts assurés pendant l'année sont demeurées faibles, avec un coût d'opération de 119 millions.

La poussée marquée des prix, qui a entraîné une hausse d'au moins 10 % du prix moyen des habitations au cours des quatre dernières années, a profité tout particulièrement aux propriétaires-occupants, puisque le prix d'entrée sur le marché a augmenté de façon considérable. De ce fait, les ménages qui ont des difficultés financières peuvent vendre leur propriété plus facilement. Cependant, il est important de noter que les propriétaires-occupants, plutôt que les investisseurs, sont ceux qui ont vu leur avoir propre augmenter.

Enfin, la SCHL continue d'être un acteur clé dans le marché des prêts hypothécaires, et son rôle est de continuer à protéger la Société contre des pertes futures, notamment par suite d'activités frauduleuses.

NOS POINTS FORTS

- Produits et services novateurs qui répondent aux besoins des Canadiens d'un bout à l'autre du pays, y compris dans les régions où ceux-ci ne sont habituellement pas offerts.
- Solide équipe de représentants dévoués et de souscripteurs très compétents répartis dans toutes les régions du pays, ainsi que des pratiques fiables et cohérentes de paiement des demandes de règlement.
- Capitalisation complète conformément aux directives du Bureau du surintendant des institutions financières.
- Plateforme technologique et modèles d'évaluation des risques de premier ordre favorisant la souscription rapide et efficace de l'assurance prêt hypothécaire.

PROCHAINES ÉTAPES

- Préparer la SCHL en vue d'un changement en profondeur dans le secteur du financement de l'habitation, tout en augmentant, à court terme, les avantages hypothécaires pour les prêteurs et les emprunteurs.
 - Conserver une position concurrentielle dans le contexte de l'arrivée d'un nouveau concurrent.
 - Collaborer avec les prêteurs et les autorités policières afin de combattre la fraude hypothécaire.
- PROCHAINES ÉTAPES
- Continuer d'évaluer les conséquences de l'évolution des produits de la SCHL et définir une orientation stratégique appropriée.
 - Continuer d'élaborer des produits, des services et des lignes de conduite afin de combler les besoins des institutions financières, des courtiers en prêts hypothécaires et des Canadiens en général.
 - Continuer de mettre l'accent sur des stratégies et des mesures de soutien à la clientèle efficaces et améliorer les méthodes pour mesurer les résultats dans ce domaine.



2000
La SCHL négocie une entente ambitieuse visant à maintenir en vie l'ancienne communauté minière de Tumbler Ridge (Colombie-Britannique).

Pour le moment, puisque l'obligation législative de souscrire une assurance ne vise que les prêts hypothécaires à rapport prêt-valeur (RPV) élevé, l'accord de Baie II influencerait uniquement la demande de produits d'assurance pour les prêts hypothécaires à faible RPV (c.-à-d. les prêts inférieurs à 75 % de la valeur de la propriété).

Examen de la législation régissant les institutions financières

Dans le cadre de son examen périodique de la législation touchant les institutions financières, le gouvernement du Canada a demandé le point de vue des membres du secteur du crédit hypothécaire concernant une proposition d'élimination, dans la Loi sur les banques fédérale, de l'obligation de souscrire une assurance pour les prêts hypothécaires à RPV élevé, afin d'offrir une souplesse accrue, tant aux prêteurs hypothécaires qu'aux emprunteurs.

Si cette proposition est adoptée, la taille globale du marché de l'assurance hypothécaire pourrait diminuer puisque certains prêteurs pourraient décider de s'assurer eux-mêmes contre la défaillance des emprunteurs présentant un risque faible et d'adopter des pratiques de tarification davantage fondées sur le risque.

Travail préparatoire en vue d'un changement en profondeur dans le secteur du financement de l'habitation

Le comité de Baie, mis sur pied par la Banque des règlements internationaux, devrait être prêt à mettre en œuvre un nouveau cadre sur les normes de fonds propres vers la fin de 2006 ou au début de 2007. Les changements proposés découlent de l'accord de Baie II et visent à mieux harmoniser les normes de fonds propres avec le risque de crédit, ce qui permettra aux institutions financières plus développées de détenir moins de capital pour le même type d'activités que d'autres établissements. En vertu de l'accord de Baie II, les exigences relatives à la réserve en capital auxquelles les établissements de crédit sont assujettis en ce qui a trait aux créances hypothécaires vont être assouplies, ce qui entraînera peut-être une baisse de la demande d'assurance hypothécaire en tant qu'instrument de réduction du risque.

Que ce soit par ses activités de prêt direct ou d'assurance hypothécaire — en passant par l'offre d'une multitude de produits, d'options et de services innovants — sans compter d'importantes pertes en matière d'autorégulation et de mode-llisation des risques, la SCHL a utilisé son action dans le secteur du financement de l'habitation pour encourager la construction résidentielle, offrir un accès égal au crédit hypothécaire d'un bout à l'autre du pays, rendre les logements plus abordables, accroître les choix dans le domaine de l'habitation et répondre à une grande diversité de besoins et de modes de vie, et ce, afin d'aider ainsi des milliers de Canadiens à devenir propriétaires. Le savoir-faire qu'elle a acquis pendant six décennies est la pierre angulaire de ses réalisations actuelles et la fondation sur laquelle elle compte édifier ses réussites futures. La SCHL continuera à développer sa gamme de produits et de services afin de suivre l'évolution des besoins des Canadiens en matière de financement de l'habitation.



FACTEURS AYANT UNE INCIDENCE SUR LES RÉSULTATS

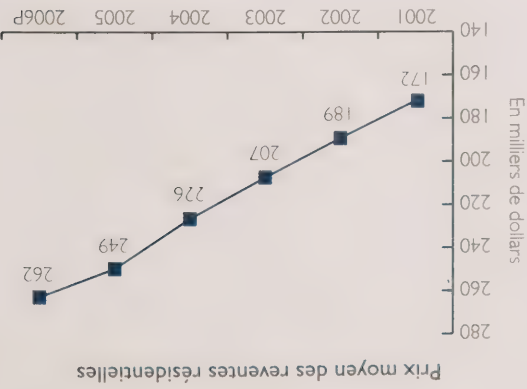
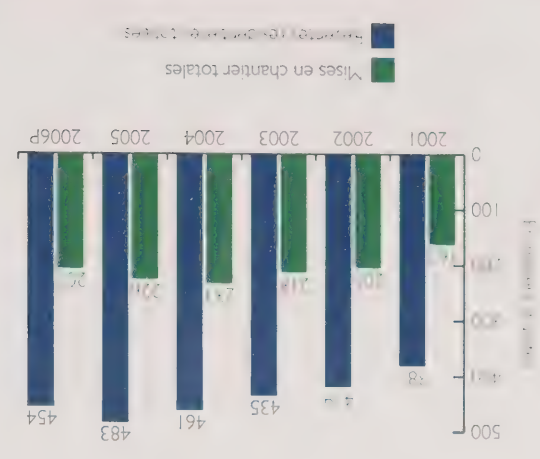
Tendances relatives à l'économie et aux marchés de l'habitation

Les années consécutives de grande vitalité sur les marchés de l'habitation ont engendré des volumes d'activité élevés à la Société, et l'année 2005 ne fait pas exception à cet égard. Le dynamisme observé en 2005 est attribuable à la vigueur sous-jacente de l'économie, en particulier à la croissance de l'emploi et à la faiblesse des taux d'intérêt. En 2006, les marchés de l'habitation demeureront actifs par comparaison aux normes historiques, mais ils entameront un repli graduel puisque la demande refoulée qui animait le marché au cours des dernières années a été en grande partie satisfaite. La hausse des charges de remboursement hypothécaire, attribuable à l'augmentation récente du prix des maisons et des taux d'intérêt, freinera également la demande à l'égard d'habitations de type propriétaire-occupant, en particulier chez les accédants à la propriété.

Le secteur du financement de l'habitation recherche de plus en plus un avantage concurrentiel

On s'attend que de nouveaux prêteurs, notamment des filiales d'établissements étrangers et des institutions financières non réglementées centrées sur des marchés à créneaux, vont continuer à pénétrer le marché canadien. Cette situation, de même que les autres tendances qui se dégagent dans ce secteur, crée un environnement

Nombre total de mises en chantier et de reventes résidentielles



Sources : Association canadienne de l'immobilier, Chambre d'immobilier de la région de Fredricton et SCHL, prévisions 2006.

hautement concurrentiel, dans lequel on mise de plus en plus sur des stratégies de segmentation de la clientèle et sur des produits spécialisés. Pour tenter d'atteindre leurs objectifs en matière de compétitivité, les prêteurs comptent de plus en plus sur la SCHL pour l'analyse du marché, l'élaboration de produits novateurs et la formation de leur personnel, car ils s'efforcent d'offrir un service de qualité à leurs clients.

Intensification de la concurrence dans le secteur de l'assurance prêt hypothécaire

Même si la SCHL demeure sans concurrent l'assureur hypothécaire de choix au Canada, elle fait face à une concurrence accrue dans le secteur des prêts à rapport prêt-valeur élevé. Dans l'avenir, compte tenu du changement de propriétaires chez le concurrent de la SCHL, Genworth Financial Canada, cette concurrence pourrait se faire encore plus pressante. De plus, AIG United Guaranty Corporation a reçu l'autorisation de constituer une société dans le but d'offrir de l'assurance prêt hypothécaire au Canada. United Guaranty est une filiale en propriété exclusive d'American International Group Inc. (AIG), le principal fournisseur de produits et services d'assurance sur la scène internationale et le quatrième assureur hypothécaire en importance aux États-Unis.

2.1 Veiller, en matière d'assurance prêt hypothécaire, à ce que les Canadiens aient accès à des produits et à des outils adaptés à leurs besoins

LA BOÎTE À OUTILS DE LA SCHL

Pour atteindre cet objectif prioritaire, nous avons recours aux produits d'assurance prêt hypothécaire suivants :

Logements de type propriétaire-occupant

- Assurance prêt achat

- Assurance des prêts de refinancement

- Assurance des prêts avec mise de fonds

- multisource

- Assurance prêt achat, avec améliorations

- Assurance des marges de crédit

- Assurance prêt pour les résidences

- secondaires

- Assurance prêt pour habitations éconergétiques

- Traitement des avances échelonnées pendant

- Assurance prêt pour logements transportables

Logements locatifs

- Assurance prêt achat

- Assurance des prêts de refinancement

- Assurance prêt pour habitations locatives

- éconergétiques

- Assurance des prêts à taux variable



1954
Création de
l'assurance prêt
hypothécaire
afin de faciliter
l'accès à la propriété.

Pour obtenir de plus amples renseignements sur les programmes et les services de la SCHL, veuillez visiter son site Web (www.schl.ca).

■ CE QUE NOUS FAISONS

Nous offrons une grande variété de produits d'assurance prêt hypothécaire pour répondre aux besoins des consommateurs et des membres du secteur des services financiers.

■ EN QUOI C'EST IMPORTANT

Nos produits d'assurance prêt hypothécaire réduisent le coût de l'accès à la propriété pour les Canadiens, ce qui leur permet de devenir propriétaires plus rapidement. Grâce à notre assurance prêt hypothécaire, les propriétaires-bailleurs et les promoteurs ont accès à des fonds à faible coût, ce qui assure une offre accrue de logements locatifs, au bénéfice des Canadiens.

■ COMMENT NOUS Y PARVENONS

Nous protégeons les prêteurs contre la défaillance des emprunteurs. Ainsi, les acheteurs d'habitations peuvent bénéficier de taux d'intérêt plus bas, même si leur mise de fonds ne représente que 5 % de la valeur de la propriété. Nos produits d'assurance prêt hypothécaire sont offerts dans toutes les régions du pays, y compris dans les endroits que le secteur privé est peu enclin à servir. Nous menons nos activités d'assurance hypothécaire dans un contexte commercial, selon des principes d'équité et de concurrence, et nous contribuons ainsi à l'élaboration de produits novateurs offerts à un juste prix.

FACILITER L'ACCÈS DE TOUS LES CANADIENS À DES LOGEMENTS PLUS ABORDABLES ET DE MEILLEURE QUALITÉ

Forts des programmes, des initiatives et des lignes de conduite mis en œuvre par la SCHL, au cours de ses 60 années d'existence, les Canadiens se classent parmi les peuples les mieux logés du monde. Depuis 1954, année où la SCHL a lancé son programme d'assurance prêt hypothécaire, une maison canadienne sur trois a fait l'objet d'un prêt hypothécaire assuré par cette dernière, ce qui a permis à de nombreux Canadiens d'accéder à la propriété plus tôt dans leur vie ou de trouver un logement locatif à prix abordable.

Aujourd'hui, nous maintenons notre tradition en contribuant au fonctionnement efficace des marchés du financement de l'habitation de façon à permettre à la plupart des Canadiens d'être logés sans aide directe de l'État. Pour ce faire, nous facilitons l'accès au financement hypothécaire à coût abordable et garantissons une offre abondante de fonds à faible coût sur le marché hypothécaire résidentiel. De plus, nous fournissons aux consommateurs canadiens et aux membres du secteur de l'habitation des informations de qualité afin qu'ils puissent faire des choix éclairés en matière de logement.

RESSOURCES
 | 15,8 millions de dollars de frais d'exploitation
 731 années-personnes



Dans l'ensemble, le pourcentage de programmes et de services administrés par des organismes des Premières nations ou des organismes autochtones a dépassé de près de 12 % l'objectif fixé. Ce résultat est attribuable au fait que la SCHL a réussi à recruter des organismes autochtones pour la mise en application du PARCL en Colombie-Britannique, et qu'elle a engagé et formé des fournisseurs de services autochtones pour dispenser la formation dans le cadre de l'initiative d'amélioration de la qualité des logements pour les Premières nations.

Nous avons modifié notre structure organisationnelle afin de mieux répondre aux graves besoins de logements dans le Nord

Il existe, dans le Nord, de nombreux obstacles à la satisfaction des besoins en matière d'habitation et à la promotion du développement durable, notamment des coûts de construction extrêmement élevés, des capacités techniques restreintes, la rareté des techniques éprouvées de construction dans les climats nordiques, ainsi que divers problèmes d'ordre social et économique. En août 2005, compte tenu de l'étendue des besoins et des problèmes propres aux régions du Nord, la SCHL a créé l'entité Logement du Nord, rattachée au Centre d'affaires des Prairies et des territoires. Cette nouvelle unité fonctionnelle permet à la SCHL de mieux servir ses partenaires, ses clients et les groupes cibles des trois territoires. Forte d'une longue expérience et de ses recherches approfondies sur les problèmes reliés au logement dans le Nord, la SCHL est bien placée pour offrir le soutien et les conseils dont les groupes cibles du Nord ont besoin. La nouvelle entité Logement du Nord s'occupera des intérêts variés et croissants des collectivités du Nord en matière de logement et se concentrera sur les défis particuliers que pose la recherche de solutions novatrices pour cette région. Par l'attention qu'elle porte ainsi à cette question, la SCHL est mieux en mesure d'aider les résidents du Nord à élaborer les plans nécessaires à l'accroissement de l'offre de logements. Elle pourra aussi aider d'avantage les collectivités nordiques à tirer profit des occasions de développement économique qui se présentent, comme le pipeline de la vallée du Mackenzie, pour combler leurs besoins en matière d'habitation.

En outre, des travaux de recherche ont été entrepris sur les autres modes d'occupation possibles dans les réserves, notamment sur le processus de désignation de terres en vertu de la Loi sur les Indiens et de la Loi sur la gestion des terres des Premières nations. Un deuxième projet de recherche portant sur l'accession à la propriété dans les réserves et sur les modèles possibles de promotion des pratiques exemplaires a été amorcé au cours de l'année et sera terminé en 2006.

Nous avons transmis nos connaissances et notre savoir-faire et contribué au développement du potentiel des Autochtones dans le domaine de l'habitation

La SCHL est résolue à favoriser la création d'un système de logement solide et efficace propre aux Autochtones, de manière à accroître le potentiel des Autochtones en matière de gestion foncière, immobilière et financière. Elle s'efforce d'amener les occupants des logements à prendre davantage conscience de l'importance de la qualité de l'air intérieur et elle leur fournit des renseignements concernant des moyens d'améliorer la qualité de leurs habitations et de réduire les moisissures afin de protéger leur santé et d'assurer leur bien-être.

En 2005, l'aide accordée à l'Association nationale des agents du bâtiment des Premières nations (ANABPN) pour l'élaboration de méthodes d'agrément professionnel dans leur secteur et leur mise en œuvre au cours de l'année, s'est traduite par un rayonnement accru de cet organisme. L'ANABPN a établi des partenariats officiels avec des organismes gouvernementaux provinciaux comme l'Alberta Safety Code Council et le ministère des Affaires municipales et du Logement de l'Ontario. Le rayonnement de l'ANABPN s'est étendu en 2005, quand elle a accepté de faire un exposé au Comité sénatorial permanent des peuples autochtones.

Mesure de rendement	Résultat 2004	Objectif 2005	Résultat 2005	Objectif 2006
Pourcentage des programmes mis en œuvre dans les réserves par l'entremise d'organismes des Premières nations ou d'organismes autochtones	89,2	80,0	89,3*	80,0

* Objectif atteint ou dépassé
† Objectif non réalisé

Nous avons investi immédiatement pour ralentir ou stopper la croissance de la pénurie de logements dans les réserves

La SCHL a été créée en 2005 pour répondre à la demande croissante de logements supplémentaires annoncés dans le budget de février 2005. Elle a conçu un nouveau modèle d'affectation des crédits fondé sur les besoins et mis en place un cadre d'application garantissant le versement des fonds fédéraux supplémentaires

Cet investissement pourrait faire tripler le nombre de logements qui seront construits dans les réserves au cours de deux exercices financiers (2005-2006 et 2006-2007) et faire augmenter de 50 % le nombre de logements rénovés. En 2005, de nouveaux engagements ont été pris, et 1 045 logements ont été bâtis dans les réserves, ce qui dépasse de 17 % l'objectif fixé. Pour réduire l'écart qui sépare les Autochtones des autres Canadiens, l'objectif visé en 2006 est de 4 007 logements. Des fonds ont également été alloués pour la rénovation et la réparation de 1 275 logements situés dans des réserves, dans le cadre du Programme d'aide à la remise en état des logements, ce qui représente une augmentation de 44 % par rapport à l'objectif fixé, qui était de 884 logements.

Nous avons appuyé la création d'un marché de l'habitation ou l'établissement de conditions propices à un tel marché dans les réserves

La SCHL s'est efforcée de trouver des façons de mieux utiliser les produits d'assurance prêt hypothécaire pour faciliter l'accès au financement privé dans les réserves et pour favoriser l'accession à la propriété. Au cours de l'année 2005, elle a accordé une importance accrue à la promotion du produit pilote d'assurance prêt hypothécaire pour les propriétaires-occupants vivant dans les réserves et tenté de surmonter les obstacles qui, d'avis des Premières nations, les empêchent de bénéficier de ce produit. Cet effort a porté fruit. La première Première nation Nak'Azdli de la Colombie-Britannique, et des progrès considérables ont été réalisés en vue de la signature d'ententes avec d'autres Premières nations. Ce produit pilote entraînera une augmentation du nombre de propriétaires-occupants dans les réserves, stimulera la construction et la rénovation et créera des emplois et des occasions d'affaires dans les réserves. En 2006, la SCHL continuera de travailler à la mise en œuvre du produit pilote, en étroite collaboration avec les Premières nations de toutes les régions du pays.

NOS POINTS FORTS

- Solide expérience de la production de logements durables et de grande qualité pour les collectivités des Premières nations.
- Gains d'efficacité et amélioration de l'administration et de l'application des programmes destinés aux Autochtones grâce à la mise en œuvre des recommandations formulées par la vérificatrice générale dans son rapport de 2003.
- Connaissance des besoins des Autochtones en matière d'habitation, acquise grâce à des programmes de recherche d'une grande portée et à l'expérience directe de l'application des programmes.
- Longue expérience de la transmission de compétences et d'autres formes de développement du potentiel des Autochtones.

DEFAUTS ET RISQUES

- Aider à la conception d'un système de logement efficace dans les réserves et hors réserves, ainsi que dans le Nord, compte tenu du principe de la propriété collective des terrains dans les réserves, de l'absence des formes habituelles de garantie hypothécaire et d'autres problèmes d'ordre social et économique.
- Répondre à la nécessité d'accroître le potentiel des Autochtones.
- Remédier à la pénurie de logements dans les réserves, veiller à la durabilité des logements neufs et existants et réduire les cas de présence de moisissures dans les habitations situées dans les réserves.

PROCHAINES ÉTAPES

- Mieux cerner les tendances et les problèmes relatifs aux Autochtones.
- Travailler avec les territoires, les provinces et les groupes autochtones à la satisfaction de besoins particuliers en matière de logement.
- Encourager l'adoption de solutions axées sur le marché quand cela est possible et souhaité par les Premières nations, notamment en améliorant l'accès au financement privé et en facilitant l'accession à la propriété dans les réserves.



La SCHL lance *Winter Warmth*, son premier programme d'aide financière pour les Autochtones vivant en région rurale pour leur permettre d'effectuer les travaux de réparation urgents que nécessite leur logement.

Outre les progrès réalisés lors de la réunion des premiers ministres, les gouvernements et les organismes autochtones ont exprimé la volonté de poursuivre le travail ensemble afin de trouver des solutions aux problèmes des Autochtones en matière de logement. La SCHL continue aussi de soutenir l'élaboration d'indicateurs et de données qui serviront à évaluer et à suivre les progrès réalisés sur le plan du logement des Autochtones. Elle a signé un protocole d'entente avec l'Institut de la statistique des Premières nations, qui ouvrira officiellement ses portes en avril 2006, et avec le Conseil national de développement économique des Autochtones, créé en 1990 par décret. La SCHL aidera l'Institut de la statistique des Premières nations à déterminer les informations disponibles dans le domaine de l'habitation et fera partie d'un conseil consultatif gouvernemental chargé d'aider le Conseil national de développement économique des Autochtones à choisir et à élaborer les indicateurs à inclure dans le rapport d'analyse comparative de portée nationale qui doit paraître en 2006.

Mesure de rendement	Résultat 2004	Objectif 2005	Résultat 2005	Objectif 2006
Nouveaux engagements — Programme de logement sans but lucratif dans les réserves (nbre de logements)	978	892	1 045*	4 007
* Objectif atteint ou dépassé				
† Objectif non réalisé				
* Objectif réalisé en grande partie				

En guise de mesure immédiate contribuant à réduire le retard dans la production de logements dans les réserves et à stabiliser les conditions de logement actuelles des Premières nations, le budget fédéral de 2005 prévoyait des crédits de 295 millions de dollars sur deux ans. Dans le domaine du logement des Autochtones dans les réserves et hors réserves, des solutions à long terme sont en cours d'élaboration dans le cadre du processus de suivi de la Table ronde Canada-Autochtones et de la réunion des premiers ministres portant sur les questions autochtones, qui a lieu à l'automne 2005 et au cours de laquelle on a, entre autres, convenu que le logement devait faire l'objet d'efforts supplémentaires sur le plan de l'élaboration de politiques. Parmi les principaux messages entendus au cours du processus de suivi de la Table ronde Canada-Autochtones et des préparatifs de la réunion des premiers ministres, mentionnons la nécessité d'accroître le potentiel et le pouvoir des Autochtones pour ce qui est de concevoir des solutions en matière de logement comme moyen de renforcer leur autonomie. On a également constaté qu'il fallait resserrer les liens entre les partenaires fédéraux, provinciaux, territoriaux et autochtones afin que tous travaillent ensemble à la recherche de solutions pour les Autochtones. Les plus récentes discussions ont porté sur l'élaboration d'une vision selon laquelle les Autochtones exerceraient un contrôle accru dans le domaine du logement et sur la nécessité de collaborer à la création d'un nouveau système de logement propre aux Autochtones.

ANALYSE DES RÉSULTATS

Nous avons joué un rôle prépondérant dans la formulation d'une stratégie sur le logement des Autochtones

En 2005, la SCHL a joué un rôle déterminant dans l'élaboration d'une stratégie relative au logement des Autochtones en apportant des améliorations immédiates aux lignes de conduite et aux programmes et en formulant des propositions de politiques à plus long terme. La SCHL s'est efforcée d'obtenir un consensus au sein du gouvernement et des organismes autochtones nationaux quant à la direction à prendre en matière de logement des Autochtones. Les orientations qui en ont découlé ont rallié l'appui général et ont servi de base à l'entente conclue lors de la réunion des premiers ministres, en novembre 2005. La SCHL a travaillé en étroite collaboration avec les organismes autochtones, les provinces et les territoires, dans le but de trouver des solutions durables qui permettraient de répondre aux besoins des Autochtones en matière d'habitation et d'établir les indicateurs requis pour mesurer les résultats obtenus. Ces discussions ont resserré les liens entre les gouvernements fédéral, provinciaux et territoriaux et les dirigeants autochtones, qui se sont engagés à collaborer à l'amélioration des conditions de logement des Autochtones.

FACTEURS AYANT UNE INCIDENCE SUR LES RÉSULTATS

Les conditions de logement des Autochtones sont parmi les pires du Canada

Autochtones vivant dans les réserves et hors réserves risquent nettement plus que les autres Canadiens

trouver des besoins immédiats de logement attribuables

habient d'at-
sont les plus vulnérables
sont les plus vulnérables
sont les plus vulnérables

a pénurie de logements que connaissent les membres des Premières nations, les Métis et les Inuits continue

lire de l'ampleur malgré les efforts de la

Hi et du ministère des Affaires indiennes et du

indien. Selon les estimations, il manque de

1 35 000 logements dans les réserves où il

ndre aux besoins des nouveaux ménages?

Cette pénurie se traduit par un grave surpeuplement,

le détérioration des habitations et

le l'infrastructure connexe et influe sur le bien-être

es sont exacerbés dans le Nord, où le parc

majoritairement composé de loge-

l'habitat pose d'importants défis

La satisfaction des besoins des Autochtones en

ur les ménages autochtones, trouver un logement

inévitable est extrêmement difficile, non seulement en

raison de la faiblesse de leur revenu et du fort taux de

chômage, mais aussi à cause de caractéristiques régionales

l'éloignement et la rigueur du climat qui font

les coûts de construction. Les obstacles juridiques

à l'accession à la propriété dans les réserves et la nécessité

de coordonner l'action des divers intervenants fédéraux,

anciens et territoriaux ont aussi pour effet d'atténuer

efficacité du système c... ment des Autochtones. La

de d'une population autochtone jeune, qui

intensification de la formation de nouveaux

aver la pénurie de logements et

Une nouvelle vision pour le logement des Autochtones

amplifier la nécessité de trouver des solutions. La progres-
sion des coûts de construction entrave aussi les efforts
déployés pour répondre aux besoins de logements dans
les réserves, particulièrement dans le Nord. En 2005, les
constructeurs ont été aux prises avec une pénurie de gens
de métier et une hausse des coûts de construction causée
par l'augmentation du prix des matériaux et de l'énergie.



Il serait plus facile de relever ces défis si les Autochtones
assumaient une plus grande part de la gestion et de
l'administration de leurs logements, si l'on adoptait de
nouvelles approches favorisant des solutions axées sur
le marché et l'accession à la propriété, et si l'on établis-
sait de meilleurs partenariats, notamment avec d'autres
ordres de gouvernement.

La SCHL a commencé à contribuer à l'amélioration
des conditions de logement et de vie des Autoch-
tones en 1971, lorsqu'elle a créé le programme
Winter Warmth et le Programme de logement pour
les régions rurales. La SCHL accorde toujours une
importance primordiale à la satisfaction des besoins
des Autochtones en matière d'habitation. Elle
commence à utiliser des outils novateurs afin de
créer des conditions de logement plus propices à
l'établissement d'un marché de l'habitation dans les
réserves. En 2005, la SCHL a signé, dans le cadre
d'un projet pilote, la première entente relative à
l'assurance prêt hypothécaire pour propriétaires-
occupants vivant dans des réserves avec le conseil
de la bande Nak'azdli, du nord de la Colombie-
Britannique, et elle cherche à conclure des ententes
semblables avec d'autres bandes intéressées.
ailleurs au Canada. En 2006, la Société continuera
de travailler avec les Autochtones et avec divers
partenaires gouvernementaux et privés afin que
se réalisent les transformations requises pour que
les conditions de vie des Autochtones s'améliorent
au Canada.

1.2 Améliorer les conditions de vie des Autochtones au Canada

■ CE QUE NOUS FAISONS

Nous travaillons avec les organismes autochtones pour résoudre les problèmes auxquels ils font face en matière de logement.

■ EN QUOI C'EST IMPORTANT

Dans le domaine de l'habitation, les besoins des Autochtones sont urgents. Nous collaborons avec les groupes autochtones afin de combler le fossé qui sépare les Autochtones des autres Canadiens à cet égard.

Nous soutenons l'acquisition de compétences et la création de marchés et d'installations qui permettent aux Autochtones de prendre en charge de plus en plus la gestion et l'administration de leurs logements.

■ COMMENT NOUS Y PARVENONS

Nous représentons le gouvernement du Canada lors des consultations et des négociations visant à améliorer les conditions de logement des Autochtones.

Nous fournissons des fonds et nous nous associons aux Premières nations, au ministre des Affaires indiennes et du Nord canadien et à d'autres groupes pour la mise en application des programmes d'aide au logement, la construction d'habitations et la rénovation des logements existants.

Nous transformons nos compétences et notre savoir-faire en matière de logement aux Autochtones et aux membres du secteur de l'habitation afin d'activer le potentiel des Autochtones dans ce domaine.

Pour obtenir de plus amples renseignements sur les programmes et les services de la SCHL, veuillez visiter son site Web (www.schl.ca).

LA BOÎTE À OUTILS DE LA SCHL

Pour atteindre cet objectif prioritaire, nous avons recours aux outils suivants :

Logement social

- Programme de logement locatif sans but lucratif dans les réserves

Subventions au logement liées à des engagements antérieurs

- Programme de logement pour les ruraux et les Autochtones
- Programme de logement pour les Autochtones en milieu urbain

Assurance prêt hypothécaire dans les réserves

- Propriétaires-occupants vivant dans les réserves (garantie d'emprunt ministérielle)
- Propriétaires-occupants vivant dans les réserves (sans garantie d'emprunt ministérielle)

Développement du potentiel des Autochtones

- Initiative de stages en habitation pour les jeunes des Premières nations et les jeunes Inuits
- Formation d'inspecteurs
- Formation des occupants des logements
- Soutien à des organismes comme l'Association nationale des agents du bâtiment des Premières nations

Programmes de rénovation

- Programme d'aide à la remise en état des logements
- Programme Logements adaptés : aînés autonomes
- Programme d'amélioration des maisons d'hébergement



Le Programme de logement sans but lucratif est mis en application pour la première fois dans les réserves.

1978

Nous avons facilité le démarrage de l'Agence des coopératives d'habitation

En 2005, la SCHL et l'Agence des coopératives d'habitation ont conclu une entente aux termes de laquelle cette dernière commencera, en 2006, à fournir des services de gestion de portefeuille pour les coopératives d'habitation administrées par le fédéral et se trouvant en Colombie-Britannique, en Ontario, en Alberta et à l'Île-du-Prince-Édouard. Selon l'entente, l'Agence offrira ses services contre rémunération, comme entité sans but lucratif. Elle adoptera une nouvelle approche de la prestation de services qui sera fondée sur les risques et axée sur les clients et qui devrait, avec le temps, contribuer à la viabilité et au bon état du parc de coopératives d'habitation. La SCHL continuera d'assumer la responsabilité des lignes de conduite relatives aux programmes et de l'administration des crédits fédéraux. En 2006, la SCHL poursuivra son étroite collaboration avec l'Agence afin d'assurer une transition sans heurts vers le nouveau régime.



À ses débuts, la SCHL s'occupait beaucoup de conception et de construction d'ensembles de logements publics produits par les provinces dans le cadre d'ententes de financement conjoint, afin de maximiser les ressources et de créer davantage de logements. Le fort esprit de collaboration déployé au cours de six décennies continue d'être porteur de réussite et la SCHL se réjouit d'avoir finalement signé des ententes avec l'ensemble des provinces et des territoires dans le cadre de l'initiative en matière de logement abordable. Tout au long de 2006 et au-delà, la SCHL poursuivra le travail avec ses partenaires pour trouver les meilleures façons possibles d'assurer une application efficace des programmes, en examinant les possibilités d'assouplissement et d'innovation et en faisant appel à la meilleure combinaison de partenaires et de savoir-faire afin d'offrir de réels avantages aux Canadiens à faible revenu.

Mesure de réalisation	2004	Objectif 2005	Réalisé 2005	Objectif 2006
Programmes de rénovation (en % de logements)	25 539	22 509 (± 5 %)	21 990*	19 054*

* fin de novembre 2005 comparant au

Une partie des crédits alloués au volet localitif du Programme d'aide à la remise en état des logements (PARF) est réservée à la rénovation d'ensembles de logements locaux abordables. En 2005, la SCHL a modifié les critères d'admissibilité au PARF localitif de manière à répondre aux besoins des adultes handicapés et des personnes âgées. Ces personnes disposent maintenant d'une option de logement supplémentaire et elles peuvent demeurer dans leur famille, près de leur famille et de leur réseau social. L'allocation d'un an des crédits de 128,1 millions de dollars alloués aux programmes de rénovation, qui a été au cours du quatrième trimestre de 2005, permettra à plus de 19 000 ménages de se prévaloir de l'aide en 2006.

(Trâce à nos investissements dans le domaine du logement social, nous avons continué d'aider de nombreux Canadiens démunis

Par suite de la mise en application du Programme de logement social par l'entremise de la SCHL, et ce, depuis de nombreuses années, plus de 633 000 familles d'un logement social subventionné par le gouvernement fédéral ont pu bénéficier d'un logement social. La SCHL aide également les organismes qui fournissent des logements sociaux en fournissant des fonds à faible coût à ceux qui désirent obtenir un prêt de refinancement à l'égard d'un ensemble de logements sociaux. L'objectif d'obtenir des fonds au meilleur taux d'intérêt possible et de réduire ainsi les frais qu'ils auraient eu, autrement, à supporter.

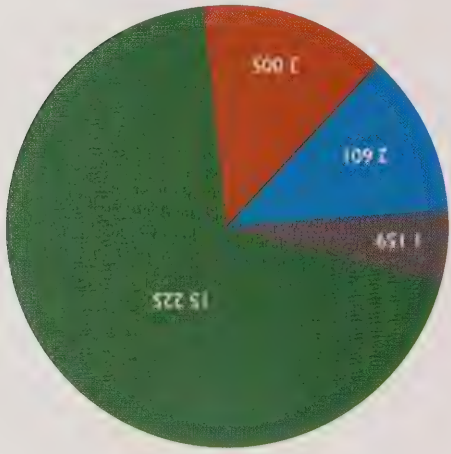
Nous avons contribué à préserver le parc actuel de logements destinés aux Canadiens à revenu

faible ou modeste

Les programmes de rénovation de la SCHL visent à aider les ménages à faible revenu, les personnes handicapées et les Autochtones à rendre leurs logements conformes aux normes minimales de salubrité et de sécurité. Ils permettent également de réparer les maisons d'hébergement destinées aux victimes de violence familiale et d'adapter les logements des aînés à faible revenu afin que ceux-ci puissent être autonomes le plus longtemps possible. Plus de 750 000 ménages ont bénéficié des programmes de rénovation et de réparation de la SCHL depuis leur mise en œuvre. Il y a plus de 30 ans.

En 2005, la SCHL a aidé financièrement près de 22 000 ménages, soit 2 % de moins que l'objectif de 22 509 logements. Le résultat est légèrement inférieur à celui de 2004, année qui avait été exceptionnelle car la prolongation des programmes avait permis de déplacer une grande partie des activités au premier trimestre de 2004. Le coût plus élevé des matériaux de construction et de la main-d'œuvre, par ailleurs, contribué à la hausse du coût unitaire moyen des logements par rapport à 2004, ce qui s'est répercuté sur le niveau de production en 2005.

Les programmes de rénovation de la SCHL ont permis d'aider près de 22 000 ménages en 2005



Nous avons aidé les collectivités à patrouiller leurs propres ensembles de logements abordables

La SCHL reconnaît que les collectivités ne se ressemblent pas et que les solutions sont aussi variées que les problèmes qu'elles se proposent de résoudre. C'est pourquoi elle offre une série d'outils novateurs — comportant un éventail d'options personnalisables — conçus pour faciliter la production de logements abordables grâce à des partenariats, en tenant compte des particularités de chacun des ensembles d'habitation visés.

En 2005, les partenariats ont permis la création de 2 378 logements abordables. Ce chiffre dépasse de 46 % les prévisions principales en raison de la construction accélérée des ensembles d'habitation. Il est toutefois sensiblement inférieur à celui de 2004, car les méthodes de mesure ont été modifiées, ce qui permet à la SCHL d'évaluer plus précisément son rôle comme facilitateur de la production de logements.

La SCHL a approuvé des demandes d'assurance prêt hypothécaire à l'égard de 1 640 logements issus de partenariats public-privé. Bien que supérieur à l'objectif fixé, ce chiffre révèle une augmentation globale du volume d'activité du Centre canadien du partenariat public-privé.

Mesure de rendement	2004	2005	2005	2006
Résultat			Résultat	Objectif
Nombre de logements créés grâce à un partenariat public-privé	s.o.	1 625	2 378*	1 470
Demandes d'assurance approuvées pour des logements abordables créés grâce à un partenariat public-privé	s.o.	1 030	1 640*	1 250

* Objectif atteint ou dépassé

† Objectif non réalisé

* Objectif réalisé en grande partie

s.o. : Les méthodes de mesure ont été modifiées en 2005.

NO5-POINTS-FORTS

- Important programme de recherche conduisant à une compréhension approfondie des besoins de logement d'une population diversifiée.
- Bons rapports avec les gouvernements fédéral et provinciaux, les administrations municipales et les différents intervenants du secteur de l'habitation.
- Antécédents d'efficacité dans l'application de divers programmes de logement en faveur des Canadiens.
- Aptitude à lancer des programmes, nouveaux ou améliorés, qui tiennent compte de l'évolution des besoins des Canadiens.

- Gérer les attentes plus élevées découlant de l'accent accru que le public, les médias et les gouvernements mettent sur les questions de logement.
- Elaborer et appliquer des solutions répondant aux besoins des Canadiens démunis en matière de logement.
- Continuer de gérer efficacement les systèmes et les processus complexes et variés permettant de superviser l'application et l'administration des programmes de logement.

PROCHAINES ÉTAPE

- Faire des recherches sur le rôle que jouent le logement et les collectivités dans la bonne intégration des nouveaux arrivants à la société canadienne, et sur les méthodes à utiliser pour améliorer l'accès des sans-abri aux options de logement.
- Maximiser la production rapide de logements dans le cadre de l'initiative en matière de logement abordable.
- Étudier les différentes possibilités d'action permettant de régler les questions liées au vieillissement du parc de logements sociaux et à l'expiration prévue des accords d'exploitation.

Nous avons aidé à accroître l'offre de logements abordables

Année de rendement	Initiative en matière de logement abordable (en millions de dollars)
2004	173
2005	175
2005	175*
2006	159

Un million et demi de Canadiens ont actuellement besoin d'un logement abordable ou de taille convenable

En 2001, 86 % des ménages canadiens pouvaient se permettre de vivre dans un logement suffisamment grand et en bon état¹. Il restait toutefois 1,5 million de ménages canadiens — environ 14 % de la population — qui éprouvaient des besoins impérieux de logement². Les nouveaux immigrants, les familles monoparentales, les personnes seules et les Autochtones sont plus susceptibles que les autres Canadiens de se trouver dans ce cas.

Le revenu détermine en grande partie les besoins en matière de logement

Pour les ménages se situant dans la fourchette de revenu la plus basse (10 000 \$ et moins), c'est le revenu qui, seul, détermine les conditions de logement. La majorité de ces ménages (80 %) éprouvaient des besoins impérieux de logement. Les ménages démunis ne peuvent, le plus souvent, espérer se constituer un pécule pour combler leurs besoins en matière de logement, car leur revenu est insuffisant pour leur permettre de louer aux prix du marché.

Les gouvernements réinjectent des fonds pour favoriser la production de logements abordables

L'actuel parc de logements sociaux bénéficiant d'une aide fédérale abrite quelque 633 000 ménages. Au cours des 30 prochaines années, les ententes d'exploitation visant ces ensembles d'habitation viendront à échéance, ce qui pourrait influencer le nombre de logements offerts aux Canadiens à faible revenu et, au bout du compte, sur le nombre de ménages dans le besoin.

Depuis quelque temps, l'investissement des gouvernements en faveur des logements abordables est en hausse. En effet, depuis 2001, le gouvernement fédéral a engagé un milliard de dollars dans le cadre de l'initiative en matière de logement abordable (ILLA), pour laquelle les frais sont partagés avec les provinces et les territoires. Cette initiative avait été annoncée en deux phases, soit des crédits initiaux de 680 millions de dollars en 2001, puis une enveloppe additionnelle de 320 millions de dollars en 2003. Au total, 44 000 logements abordables devraient être mis à la disposition des démunis, en application de cette initiative.

1 Selon les estimations déduites du Recensement 2001. Un ménage a des besoins impérieux en matière de logement lorsque son loyer ne répond pas aux normes pour ce qui est du coût, de la taille et de la qualité, et qu'il lui faudrait consacrer 30 % ou plus de son revenu pour se procurer un logement répondant à ces normes.

Province	Crédits annuels (en millions de dollars)
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Terre-Neuve	20,5
Île-du-Prince-Édouard	4,2
Nouveau-Brunswick	22,6
Nouvelle-Écosse	28,1
Québec	236,5
Ontario	366,3
Manitoba	36,9
Saskatchewan	33,0
Alberta	98,6
Territoires du Nord-Ouest	7,9
Colombie-Britannique	130,4
Yukon	5,8
Nunavut	5,2
Frais d'administration	4,0
Total	1 000,0

On reconnaît de plus en plus que la santé et le bien-être sont tributaires du logement

L'importance de combler les besoins des gens en matière d'habitation pour améliorer leur qualité de vie a pour corollaire la nécessité de leur offrir des logements adéquats pour atteindre d'autres objectifs sociaux (santé, collectivités fortes, milieu de vie sûr pour les enfants).

Bien qu'un revenu bas demeure, pour la plupart, un obstacle considérable à l'accès à un logement adéquat, les différences qui existent quant aux conditions de revenu et de logement des ménages éprouvant des besoins impérieux de logement imposent l'adoption de stratégies à large portée. Qui plus est, certaines personnes, dont les nouveaux immigrants et les personnes handicapées, ont des besoins particuliers inhérents à leur situation propre, qui nécessitent davantage qu'un simple logement. Malgré la récente injection de fonds en faveur des logements abordables, de nombreux centres urbains continuent de signaler des hausses du nombre de sans-abri. Il faut donc adopter une approche holistique de manière à ce que les services de soutien et les autres services nécessaires soient associés au logement et que celui-ci soit adapté aux besoins locaux.

1.1 Aider les Canadiens dans le besoin à avoir accès à des logements sûrs et abordables

LA BOÎTE À OUTILS DE LA SCHL

Pour atteindre cet objectif prioritaire, nous avons recours aux outils suivants :

Initiative en matière de logement abordable

- Différentes options mises à la disposition des provinces et des territoires, notamment :
- Nouveaux logements locatifs
- Achat de logements
- Préservation de l'accèsion à la propriété
- Préservation des logements locatifs
- Suppléments de loyer

Programmes de rénovation

- Programme d'aide à la remise en état des logements
- Programme de réparations d'urgence
- Logements adaptés : aînés autonomes
- Programme d'amélioration des maisons d'hébergement

Partenariats public-privé

- Financement initial
- Financement pour l'élaboration de propositions
- Conseils et perfectionnement des compétences
- Assouplissement des règles de souscription de l'assurance prêt hypothécaire

Aide financière aux termes des engagements antérieurs

- Logements publics
- Logements sans but lucratif
- Suppléments de loyer
- Coopératives d'habitation

Prêt direct

Pour obtenir de plus amples renseignements sur les programmes et les services de la SCHL, veuillez visiter son site Web (www.schl.ca).

■ CE QUE NOUS FAISONS

En collaboration avec nos partenaires des secteurs public et privé, nous aidons les Canadiens à revenu faible ou modeste à avoir accès à un logement sûr, abordable et de grande qualité.

■ EN QUOI C'EST IMPORTANT

En facilitant l'accès à un logement abordable, nous contribuons à améliorer la qualité de vie de centaines de milliers de Canadiens.

■ COMMENT NOUS Y PARVENONS

Mais voyons des fonds aux provinces, aux territoires et à diverses intervenances et nous collaborons avec eux afin d'accroître l'offre de logements abordables. Nous offrons aux collectivités notre soutien ainsi que des outils financiers leur permettant de parer avec leurs propres ressources de logements abordables. Nous accordons une aide financière permettant de prévenir, grâce à des travaux de rénovation, l'offre de logements pour les ménages à faible revenu. Nous subventionnons les logements sociaux existants. Nous contribuons à une meilleure compréhension des besoins particuliers des groupes à risque, en matière de logement.

1946

La SCHL construit Benny Farm à Montréal, l'un des premiers ensembles d'habitation subventionnés à être réalisés au Canada et, à l'époque, le plus important en taille.



AIDER LES CANADIENS DANS LE BESOIN

Depuis 60 ans, nous avons aidé des centaines de milliers de

familles à faible revenu de tous les coins du pays à se procurer

un chez-soi. Nous nous sommes également appliqués à combler

l'écart qui existe, en matière de logement, entre les Autochtones

et le reste de la population du pays. Nous sommes fiers d'avoir

créé, au fil des ans, des programmes et des politiques permettant

aux Canadiens d'avoir accès à des logements sûrs et abordables et

nous continuerons, par l'entremise de nos programmes et de nos

initiatives, à apporter notre soutien aux familles démunies afin de

contribuer à faire en sorte que tous les Canadiens puissent jouir

des avantages que procure le fait de vivre dans un logement sûr

et abordable.

RESSOURCES

56,2 millions de dollars de frais d'exploitation
387 années-personnes



RÉSULTATS PAR RAPPORT AUX OBJECTIFS

Le présent rapport annuel conclut le cycle de planification de la SCHL pour l'année 2005. Il permet de réviser les progrès accomplis relativement aux activités prévues et de faire en sorte que les gestionnaires puissent évaluer les résultats par rapport aux prévisions indiquées dans le Plan d'entreprise 2005-2009. C'est-à-dire le principal document de planification de la SCHL. En 2005, la SCHL a reformulé ses objectifs stratégiques et ses priorités — qui représentent son mandat d'intérêt public — de manière à mieux tenir compte de ses activités courantes et de ses principaux groupes de clients et à faciliter l'atteinte de ses plans d'activités et de ses plans financiers. Le présent rapport annuel fait état des résultats de la Société selon le cadre de planification amélioré qui suit.

Objectif un

AIDER LES CANADIENS DANS LE BESOIN

- 1.1 Aider les Canadiens dans le besoin à avoir accès à des logements sûrs et abordables
- 1.2 Améliorer les conditions de vie des Autochtones au Canada

Objectif deux

FACILITER L'ACCÈS DE TOUTS LES CANADIENS À DES LOGEMENTS PLUS ABORDABLES ET DE MEILLEURE QUALITÉ

- 2.1 Veiller, en matière d'assurance prêt hypothécaire, à ce que les Canadiens aient accès à des produits et à des outils adaptés à leurs besoins
- 2.2 Accroître l'offre de fonds à faible coût destinés au crédit hypothécaire en élargissant la portée du programme de titrisation
- 2.3 Fournir de l'information exhaustive, pertinente et à jour, de manière à permettre aux consommateurs canadiens et aux membres du secteur de l'habitation de prendre des décisions éclairées

Objectif trois

FAIRE EN SORTE QUE LE SYSTÈME CANADIEN DU LOGEMENT DEMURE L'UN DES MEILLEURS DU MONDE

- 3.1 Faire en sorte que le système canadien du logement demeure l'un des meilleurs du monde
- 3.2 Soutenir le système de logement ainsi que les produits et les services canadiens reconnus mondialement et en faire la promotion sur la scène internationale
- 3.3 Faire en sorte que la SCHL demeure un organisme solide, capable de remplir son mandat

RÉSULTATS PAR RAPPORT AUX OBJECTIFS

Aider les Canadiens dans le besoin

Faciliter l'accès de tous les Canadiens

à des logements plus abordables et de
meilleure qualité

Faire en sorte que le système canadien
du logement demeure l'un des meilleurs
du monde

Le point sur les réalisations et les prévisions
(10 ans)



MEMBRES DU CONSEIL D'ADMINISTRATION (au 31 décembre 2005)

Dino Chiesa Président du Conseil d'administration

Dino Chiesa est vice-président du Conseil des fiduciaires du CAP REIT, une des plus importantes fiducies de placement immobilier résidentiel du Canada. Précédemment, il a été président et chef de la direction de RESREIT, sous-ministre adjoint au ministre des Affaires municipales et du Logement de l'Ontario, chef de la direction de la Société de logement de l'Ontario et de la Société d'hypothèques de l'Ontario et employé de la SCHL de 1975 à 1987. Dino Chiesa siège au Conseil depuis juin 2001 et il en a été nommé président en

Karen Kinsley, CA Présidente et première dirigeante

Karen Kinsley est entrée à la SCHL en 1987. Elle a occupé divers postes au sein de la haute direction et de la SCHL en juin 2003.

Harold Calla, CGA, CAFM North Vancouver (Colombie-Britannique)

Harold Calla cumule un certain nombre de fonctions au sein de la nation Squamish, notamment celles de président, Expansion économique et Gestion foncière, de membre du Comité du traité et de président du Sous-comité des finances. Il a été nommé au Conseil d'administration de la SCHL en juin 2005.

Catherine C. Cronin, CA Winnipeg (Manitoba)

Comptable agréée, Catherine Cronin joue un rôle actif au sein de plusieurs organismes communautaires de la région de Winnipeg. Elle a été nommée au Conseil d'administration en septembre 2003.

Roberta Hayes Moncton (Nouveau-Brunswick)

Roberta Hayes était précédemment présidente de la Société d'hypothèques et de logement du Nouveau-Brunswick et de l'Association canadienne de l'immobilier. Elle a été nommée au Conseil d'administration en octobre 2003.

Hugh Heron Schomberg (Ontario)

Hugh Heron est directeur et associé du Heron Group of Companies, de même que président de Heron Homes Corporation. Il a été, antérieurement, président de la Toronto Home Builders' Association et de l'Ontario Home Builders' Association. Il a été nommé au Conseil d'administration en juin 2001.

Sophie Joncas, CA Saint-Hubert (Québec)

Sophie Joncas est comptable. Elle est aussi administratrice, auprès de la firme de production télévisuelle Production Quarters, et professeure (économie et finances) à l'Académie de l'entrepreneuriat québécois inc. Elle siège au Conseil d'administration depuis août 2001.

Gary Mooney Mississauga (Ontario)

Gary Mooney est président et chef de l'exploitation de la société Fidelity National Financial, de même qu'associé principal au sein du cabinet d'avocats Anderson, Sinclair. Il a été nommé au Conseil d'administration en juin 2005.

Louis Ronger Ottawa (Ontario)

Louis Ronger est sous-ministre au ministère des Transports, de l'infrastructure et des Collectivités. Il a été nommé au Conseil d'administration en septembre 2002.

Alexander Werzberger Ouremont (Québec)

M. Werzberger est actuellement président de la société Traklin Groups. Il a siégé au conseil d'administration de divers organismes, dont l'Association provinciale des constructeurs d'habitations du Québec et l'Association de la construction du Québec. Il a été nommé au Conseil d'administration en avril 2005.



La SCHL a une longue tradition de bonne gouvernance, qui lui a permis, pendant 60 ans, de mener ses activités dans le respect des principes de responsabilité et de transparence. Ayant conscience qu'elle est investie de la confiance du public, la Société remplit son mandat d'une manière qui traduit cette responsabilité. Le fait d'avoir mis l'accent sur la bonne gouvernance lui a valu, en 2002, d'être lauréate du *National Award in Governance* dans la catégorie Secteur public, décerné par le Conférence Board du Canada et le cabinet Spencer Stuart, en reconnaissance des innovations qu'elle a adoptées en matière de régie. La Société a maintenant en place un solide cadre de régie interne. À mesure qu'elle avancera, elle cherchera sans cesse l'excellence en matière de gouvernance de manière à continuer d'être utile aux Canadiens.

En 2005, la Société a lancé un certain nombre

d'initiatives visant à intégrer davantage les principes d'éthique organisationnelle dans les programmes et les outils de formation. Un module sur l'éthique axé sur le rôle des gestionnaires dans la promotion du dialogue sur l'éthique en milieu de travail a été ajouté au cours intitulé « Principes de base d'un leadership efficace », conçu pour les superviseurs de premier niveau, les futurs superviseurs et les chefs de projet. En outre, les employés ont désormais accès aux ressources déontologiques (notamment *Notre énoncé de valeurs* et *Nos valeurs en action*) sur l'intranet de la Société, ce qui leur permet de garder leur sens de l'éthique organisationnelle en éveil.

PROCHAINES ÉTAPES

En 2006, la SCHL continuera de favoriser la sensibilisation aux principes d'éthique en milieu de travail en lançant plusieurs initiatives, notamment des séances de sensibilisation à l'intention des nouveaux employés, des dîners causés et de nouvelles études de cas. De plus, la tenue, en 2006, d'ateliers sur la résolution des conflits à l'intention des gestionnaires et des employés fournira des outils permettant de régler les différends d'une manière respectueuse, compréhensive et sincère.

DIVULGATION INTERNE D'ACTES FAUTIFS AU TRAVAIL

d'information et d'aide pour orienter la conduite des employés. Ce document résume l'intention des diverses lignes de conduite et guide les employés en mettant en contexte les valeurs que préconise la SCHL, au moyen d'études de cas pratiques destinées à les aider à déterminer quels sont les comportements jugés acceptables dans un milieu comme le secteur public. *Nos valeurs en action* sert de guide dans six domaines essentiels reliés aux trois valeurs de la Société : servir l'intérêt public; préserver la confiance du public (cadeaux, hébergement et invitations); gérer l'information de nature délicate; fraude et autres activités illégales; gérer les personnes et la charge de travail et concilier le travail et la vie personnelle; gérer les relations avec les autres.

SENSIBILISATION AUX PRINCIPES D'ÉTHIQUE

Pour compléter la série d'outils de promotion de l'éthique, la Société a adopté une ligne de conduite sur la divulgation interne d'actes fautifs au travail. Cette ligne de conduite vise à fournir aux employés un mécanisme interne pour la divulgation d'informations concernant des actes fautifs au travail et à faire en sorte qu'ils soient traités équitablement et protégés contre des représailles lorsqu'ils divulguent des informations de bonne foi. Une marche à suivre a été établie pour permettre aux employés de dénoncer la violation d'une loi ou d'un règlement, l'utilisation inappropriée de fonds ou de biens publics, un cas grave de mauvaise gestion, de même qu'une menace grave et particulière pour la vie, la santé ou la sécurité des employés et du public ou pour la protection de l'environnement.

Pour aider les employés à être à la hauteur des engagements que *Notre énoncé de valeurs* implique, ceux-ci ont été conviés à une séance obligatoire de sensibilisation aux principes d'éthique. Outre la présentation de l'énoncé des valeurs de la Société et de l'outil de référence *Nos valeurs en action*, ces séances visaient à faire participer les employés à un échange, en utilisant des études de cas pertinentes, pour les aider à comprendre le lien entre les valeurs, le bon jugement et l'acte. À ce jour, 98 % des employés de la SCHL ont assisté à une séance de sensibilisation aux principes d'éthique.

ACCENT SUR LES VALEURS ET L'ÉTHIQUE

La SCHL est fière de ses services qu'elle a rendus à la société canadienne en se fondant sur des valeurs positives. Elle a permis de guider ses employés depuis le jour où elle a ouvert ses portes, il y a 60 ans. On sait que l'une des forces de la Société réside dans les valeurs qui sont les siennes et que sa réussite dans l'avenir dépendra de sa capacité à préserver et à enrichir ses valeurs. C'est dans cet esprit que la SCHL a lancé son programme sur les valeurs et l'éthique, à l'automne 2004 et au printemps 2005.

Ce programme vise deux objectifs : créer un climat propice à un dialogue franc et sincère sur les questions d'éthique et permettre aux employés, dans l'exercice de leurs fonctions, de prendre, en connaissance de cause, des décisions qui sont conformes aux valeurs défendues par la Société et les Canadiens.

Les valeurs communes et la façon dont les employés y adhèrent sont, au bout du compte, les facteurs qui permettent à la SCHL d'instaurer ses propres pratiques de régie interne et de reddition de comptes envers l'État. La Société et de faire en sorte que toutes ses activités en soient empreintes.

NOTRE ENONCE DE VALEURS

La Société a pour but de fournir des services de qualité à ses clients et de contribuer au développement économique et social du Canada. Elle est soumise à la loi et respecte les lois fédérales, provinciales et municipales. Elle est soumise à la loi et respecte les lois fédérales, provinciales et municipales. Elle est soumise à la loi et respecte les lois fédérales, provinciales et municipales.

NOS VALEURS EN ACTION

La Société a pour but de fournir des services de qualité à ses clients et de contribuer au développement économique et social du Canada. Elle est soumise à la loi et respecte les lois fédérales, provinciales et municipales. Elle est soumise à la loi et respecte les lois fédérales, provinciales et municipales.



En 2005, le Comité de nomination a mené à terme avec succès le processus de sélection visant à combler le poste de président du Conseil. Conformément au nouveau processus de nomination des dirigeants des sociétés d'État par le gouvernement en conseil, le Comité a présenté au Ministre une liste restreinte de candidats. Par la suite, le gouvernement a annoncé son intention de confier le poste de président du Conseil à M. Chiesa. Selon la nouvelle façon de procéder, cette nomination a été soumise à l'examen du Comité permanent des opérations gouvernementales et des prévisions budgétaires. M. Chiesa a comparu devant ce comité avant que sa nomination soit confirmée, en mars 2005.

Conseil des fiduciaires de la Caisse de retraite

Les fiduciaires de la Caisse de retraite sont chargés de la gestion et de l'administration de la Caisse de retraite, conformément à l'acte de fiducie. À ce titre, ils établissent les lignes directrices et les objectifs en matière de

Rémunération totale des administrateurs et présences aux réunions du Conseil d'administration et de ses comités en 2005

Membre du Conseil	Rémunération totale (lecons de présence et indemnités) (en dollars)	Conseil d'administration (6 réunions)	Comité de vérification (4 réunions)	Comité de régie de la Société (2 réunions)	Comité des ressources humaines (3 réunions)	Comité de nomination (1 réunion)	Conseil des fiduciaires de la Caisse de retraite (3 réunions)
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Dino Chiesa ¹	64 250	6/6	2/2	1/1	3/3		
Karen Kinsley	s. o.	6/6					3/3
Michel Bérubé ²	7 557	1/2		0/1			
Harold Calla ³	13 673	3/3	1/1				
Catherine Cronin	31 200	6/6	4/4				3/3
Roberta Hayes	31 700	6/6		3/3		1/1	
Hugh Heron ⁴	33 200	6/6	3/3				
Sophie Joncas	34 700	6/6	4/4	2/2			
Grace Kwo ⁵	6 600	2/3		0/1			
Gary Mooney ⁶	13 174	3/3	1/1				
Louis Ranger	s. o.	2/6				1/3	
Alexander Werzberger ⁷	15 143	3/4					1/1

s. o. — Sans objet, car les membres provenant de la fonction publique ne sont pas rémunérés pour leurs services.
¹ Président du Conseil, à partir de mars 2005
² Mandat terminé le 13 avril 2005
³ Nommé le 2 juin 2005
⁴ Mandat au sein du Comité de vérification terminé à l'automne 2005
⁵ Nommé le 14 avril 2005

Les dépenses des administrateurs relatives aux déplacements et à l'hébergement sont affichées dans le site Web de la SCHL à l'adresse www.schl.ca



Comité de vérification

Le Comité de vérification fournit des avis au Conseil d'administration sur la qualité de la gestion financière de la Société et il l'aide à surveiller les mécanismes de contrôle interne ainsi que les processus de vérification et d'établissement des rapports financiers. Le Comité favorise la communication ouverte entre les vérificateurs internes, les vérificateurs externes et le Conseil d'administration. Il examine, avec les vérificateurs externes, leur plan annuel de vérification et il tient, avec eux, des réunions périodiques à huis clos, auxquelles la direction n'assiste pas. Par ailleurs, le Comité de vérification assure la mise en œuvre et le maintien, par la Société, d'un système de gestion financière robuste et efficace. Le Comité de vérification assure la mise en œuvre et le maintien, par la Société, d'un système de gestion financière robuste et efficace. Le Comité de vérification assure la mise en œuvre et le maintien, par la Société, d'un système de gestion financière robuste et efficace.

Par suite de l'examen de son mandat par PricewaterhouseCoopers (PWC) en 2004, le Comité de vérification a pris en charge l'examen annuel des politiques de la SCHL en matière de gestion, de placements et de financement, de sorte que les risques financiers

gérés. À partir de 2005, le Comité de vérification s'est également vu confier la responsabilité de l'examen annuel du cadre de gestion des risques en entreprise et du profil des risques.

La SCHL et le Conseil sont convaincus que les membres du Comité de vérification possèdent les compétences nécessaires pour assumer leurs responsabilités à l'égard de la Société et du gouvernement du Canada. Tous sont réputés être compétents dans le domaine financier y compris le nouveau membre admis en 2005. Deux d'entre eux détiennent un titre professionnel comptable, et un troisième possède des connaissances spécialisées dans le domaine de la gestion financière. Les membres du Comité de vérification sont tous indépendants de la

Comité des ressources humaines

Le Comité des ressources humaines surveille l'application des lignes de conduite et des stratégies en matière de ressources humaines, de même qu'il examine et approuve les principes régissant le recrutement, la sélection, la formation, la rémunération et l'évaluation des employés. Le Comité est chargé d'examiner le cadre de planification de la relève visant les postes de direction et de formuler des recommandations au Conseil sur la planification organisationnelle, le système de rémunération et l'intégration, dans le Plan d'entreprise, des lignes de conduite et des stratégies relatives aux ressources humaines.

Au cours de l'année, le Comité a reçu un aperçu du profil démographique des employés de la SCHL et examiné les résultats de l'analyse de l'environnement de la Société en matière de ressources humaines. Le Comité a également participé à la mise à jour du cadre de gestion de la relève au sein de la SCHL en vue d'assurer la mise en œuvre de plans efficaces pour tous les postes de la Société ayant une importance cruciale.

Comité de nomination

Le Comité de nomination a été créé en 2004, conformément aux nouvelles lignes directrices relatives à la gouvernance, édictées par le gouvernement fédéral. Ce comité établit, évalue et recommande une liste restreinte de candidats compétents pour le poste de président du Conseil et pour celui de premier dirigeant de la Société, liste qui sera par la suite soumise au Ministre en vue d'une nomination par le gouverneur en conseil. Le Comité de nomination donne également des avis au Conseil d'administration sur des questions ayant trait à sa composition et à celle de ses comités, ainsi que sur les critères de sélection de ses membres, notamment l'expérience, les qualités et les compétences. Il examine chaque année la composition du Conseil d'administration, détermine si des sièges se libéreront, passe en revue les profils de compétences et formule des recommandations au Conseil d'administration quant aux changements à effectuer ou aux façons de procéder.

COMITÉS DU CONSEIL D'ADMINISTRATION

Le Conseil d'administration a créé quatre comités pour l'aider à assumer ses responsabilités : le Comité de régie de la Société, le Comité de vérification, le Comité des ressources humaines et le Comité de nomination. Deux membres du Conseil sont fiduciaires de la Caisse de retraite des employés de la SCHL.

Comité de régie de la Société

Le Comité de régie a pour rôle de surveiller tous les aspects de la gérance de la Société et de fournir des avis au Conseil à cet égard. Le soutien qu'il apporte au Conseil, de diverses façons, consiste notamment à l'aider à établir les grandes orientations de la Société, à vérifier la pertinence et l'intégrité des systèmes d'information et des pratiques de la SCHL, à examiner régulièrement le bien-fondé des objectifs d'intérêt public de la SCHL et du mandat qui lui est confié par la loi et à favoriser la communication efficace avec le gouvernement du Canada, d'autres intervenants et le public en général. Le Comité évalue, en outre, le rendement du président et premier dirigeant de la Société, en fonction de la réalisation des orientations stratégiques établies au début du processus annuel de planification, et il formule des recommandations au Conseil sur la rémunération à accorder au président.

Au cours de l'année, le Comité a surveillé la production des rapports trimestriels sur le rendement de la Société qui sont présentés au Conseil. Ces rapports permettent aux membres du Comité d'avoir de l'information équilibrée et à jour sur la réalisation des objectifs de la SCHL et indiquent, le cas échéant, les mesures correctives à prendre pour que les objectifs en question puissent être atteints avant la clôture de l'exercice. Outre ces fonctions, le Comité continuera, en 2006, de suivre activement l'examen, par le Conseil du Trésor, du cadre de gouvernance des sociétés d'État.

En 2005, le Comité de vérification a supervisé l'examen et l'analyse, par la haute direction, de la note d'orientation concernant la comptabilité des entités sur lesquelles le contrôle s'exerce autrement que par la détention de droits de vote. Dans le cas de la SCHL, cette note d'orientation est appliquée pour la première fois, en 2005, ce qui a entraîné la consolidation de la Fiducie du Canada pour l'habitation, une fiducie indépendante qui émet les Obligations hypothécaires du Canada (OHC), garanties par la SCHL.

La consolidation de la Fiducie du Canada pour l'habitation n'a aucune incidence sur le Programme des Obligations hypothécaires du Canada, ni sur la nature de la garantie de paiement fournie par la SCHL, ni sur la manière dont les activités de titrisation assumée par le Conseil d'administration en ce qui concerne les mécanismes de contrôle interne et les systèmes d'information de gestion ne visent qu'à assurer une gestion prudente de la garantie de paiement ponctuel que procurent les Obligations hypothécaires du Canada. Ces mécanismes existent depuis la création des OHC en 2001.

Planification de la relève pour les postes de cadres supérieurs jugés critiques

En 2005, le Conseil d'administration de la SCHL a souligné son engagement en faveur d'une gestion efficace de la relève. Il a approuvé un cadre de gestion de la relève afin de déterminer quels sont les postes de cadres jugés vulnérables. Le Conseil est tenu au courant de tout changement parmi les cadres supérieurs et il intervient dans l'approbation des nominations au sein de la haute direction de la Société. Il veille à ce que les personnes nommées possèdent les compétences et l'expérience nécessaires pour s'acquitter de leurs responsabilités à l'égard de la Société.



En 2004, les vérificateurs externes de la Société ont procédé, conformément à la loi, à un examen spécial, sorte de vérification opérationnelle effectuée tous les cinq ans. Les opérateurs ont produit un rapport équilibré faisant des constats positifs en ce qui a trait aux systèmes et aux pratiques de la SCHL, tout en indiquant des points à améliorer. Les conclusions ne mentionnent aucune lacune importante, et la SCHL s'est vu attribuer une opinion sans réserve pour la quatrième fois de suite. Le rapport est publié sur le site Web de la SCHL (www.schl.ca).

L'examen spécial relève trois points à améliorer en ce qui concerne la régie interne et la mesure du rendement. Pour y donner suite, la haute direction a pris les mesures suivantes :

- La SCHL a procédé à un examen externe du mandat de chacun des comités du Conseil, après quoi elle a entrepris la mise en œuvre des recommandations formulées.
- La SCHL a mené à terme l'opération consistant à communiquer l'honc de valeurs et le cadre d'éthique à l'ensemble du personnel.

La SCHL a amélioré son cadre de mesure du rendement de manière à établir des mesures équilibrées et à faire clairement le lien entre les informations de nature financière et non financière. Elle a aussi intégré des énoncés explicites des résultats par rapport à chacun des objectifs inscrits dans le Plan d'entreprise 2006-2010.

En 2005, le Conseil d'administration a également collaboré à la reformulation des objectifs fondamentaux de la Société. Depuis quelques années, les priorités de la SCHL s'articulaient autour de quatre objectifs qui mettaient l'accent sur l'abordabilité et les choix en matière d'habitation, les conditions de logement et de vie, la prospérité du secteur de l'habitation et l'efficacité organisationnelle. En se fondant sur les orientations fixées par le Ministre et le Conseil, la SCHL a reformulé ses objectifs et ses priorités stratégiques, en 2005, afin de mieux tenir compte de ses activités courantes et de ses principaux groupes de clients et afin de faciliter une plus grande harmonisation de ses plans d'activité et de ses plans financiers. Voici les nouveaux objectifs de la Société : 1) aider les Canadiens dans le besoin; 2) faciliter l'accès de tous les Canadiens à des logements plus abordables et de meilleure qualité; 3) faire en sorte que le système canadien du logement demeure l'un des meilleurs du monde.

Le Conseil d'administration est mis à contribution tout au long du processus de planification. En effet, il examine le Plan d'entreprise à deux reprises avant de recommander au Ministre qu'il le soumette à l'approbation du gouvernement en conseil. Une fois celui-ci approuvé, le Conseil participe activement à la vérification de sa mise à exécution. Le Conseil reçoit les rapports trimestriels préparés par la direction afin de comparer les résultats avec les principaux objectifs mentionnés dans le Plan d'entreprise, ce qui lui permet de suivre les progrès réalisés par la Société et de veiller à ce que des mesures appropriées soient prises pour que celle-ci atteigne les objectifs qu'elle s'est fixés.

Intégrité des mécanismes de contrôle interne et des systèmes d'information de gestion

Dans le cadre de sa responsabilité de gérance, le Conseil d'administration, avec l'aide du Comité de vérification, a collaboré avec les vérificateurs internes afin de veiller à l'intégrité des systèmes de contrôle interne et de gestion de l'information de la Société. Résolu à assurer la transparence de la Société en matière d'information financière, le Conseil a examiné attentivement les incidences actuelles et éventuelles des notes d'orientation — nouvelles et proposées — concernant la comptabilité et des pratiques en usage dans le milieu afin de toujours assurer une présentation fidèle de la situation financière de la SCHL.

Composition du Conseil et nomination des membres

Le Conseil d'administration de la SCHL se compose de 10 membres : le président du Conseil, le président et premier dirigeant de la Société, et huit autres administrateurs. Exception faite du président et premier dirigeant, les membres du Conseil n'ont aucun lien de dépendance avec la direction de la Société. Les membres du Conseil d'administration de la SCHL sont dûment nommés par le gouvernement en conseil et, en règle générale, leur mandat dure trois ans.

En 2004, conformément au nouveau processus de nomination mis en place par le gouvernement du Canada, un Comité de nomination a été constitué afin d'assurer une participation active des membres du Conseil à la sélection du président du Conseil et du premier dirigeant de la Société. Le processus de renouvellement du Conseil vise à faire en sorte que sa composition soit représentative des différents types de clients ayant recours aux services de la SCHL et constitue un bon équilibre des principaux critères de sélection : à savoir : l'expérience passée et fonction au sein d'un conseil d'administration, sexe, appartenance ethnique, représentation géographique, représentation de la population urbaine et rurale du Canada et compréhension des besoins des Autochtones en matière de logement.

Orientation et formation continue

En 2005, les membres du Conseil nouvellement nommés ont participé à une séance d'orientation de deux jours, avec la haute direction de la SCHL. Les membres du Conseil sont tenus régulièrement au courant des activités de la Société, et ce, à l'occasion des réunions du Conseil et de ses comités ou de discussions avec la direction, ainsi que par l'entremise des analyses et des rapports produits par celle-ci. Les membres du Conseil sont incités à assister à d'autres activités de formation afin d'accroître leurs compétences, leur efficacité et leur contribution au Conseil.

Chaque année, deux des réunions ordinaires du Conseil ont lieu ailleurs qu'à Ottawa, de manière à permettre aux membres d'être directement en contact avec les employés, les clients, les groupes cibles et les partenaires de la SCHL et de se familiariser avec les questions d'ordre régional. En 2005, ces réunions se sont tenues à Toronto et à Edmonton-Fort McMurray, ce qui a permis aux membres du Conseil d'avoir une bonne idée des problèmes et des défis que doivent affronter ces dynamiques collectives en matière de logement et des succès qu'elles ont remportés dans ce domaine. Différents membres du Conseil ont, en outre, participé à des activités de la Société en divers endroits du pays.

notamment à des conférences sur les perspectives du marché de l'habitation, à des inaugurations d'ensembles d'habitation dans le cadre de l'initiative en matière de logement abordable, ainsi qu'aux consultations portant sur la stratégie nationale sur le logement.

Processus d'évaluation

Le Conseil d'administration examine actuellement son processus d'évaluation de manière à être en phase avec les attentes du gouvernement du Canada et les pratiques exemplaires en usage dans le milieu. Les membres du Conseil ont, par le passé, procédé à une autoévaluation de leur performance en tant qu'entité. En 2006, l'outil d'autoévaluation utilisé par le Conseil sera peu modifié, et un nouvel outil sera adopté pour permettre à chaque administrateur d'évaluer son propre rendement.

PRATIQUES DE RÉGIE INTERNE

La règle interne est l'affaire de tous; elle engage la responsabilité du Conseil d'administration, de la haute direction et de tous les employés, chacun devant veiller à ce que les activités de la Société soient menées d'une manière qui respecte l'intégrité et les valeurs de celle-ci. Les pratiques de régie de la Société transcendent les divers aspects de ses activités et visent, au bout du compte, à ce que la Société soit un organisme responsable qui utilise efficacement ses ressources afin d'offrir les meilleurs avantages possible aux Canadiens.

Processus de planification stratégique

Pour exercer ses responsabilités en matière de gouvernance, le Conseil doit, à la base, donner à la Société une orientation stratégique. Le principal outil utilisé pour ce faire est le processus annuel d'élaboration du Plan d'entreprise. Le Conseil d'administration intervient au début du cycle de planification, en imprimant une direction à la Société. Il s'agit, pour le Conseil, de tenir compte des orientations établies par le Ministre, conformément aux priorités actuelles du gouvernement du Canada. Le Conseil d'administration guide ainsi la haute direction de la Société à mesure que celle-ci traduit les objectifs d'intérêt public du gouvernement fédéral en programmes et en services permettant d'améliorer la qualité de vie des Canadiens.

RÉGIE DE LA SOCIÉTÉ

Une bonne gouvernance, voilà l'élément fondamental sur lequel reposent les activités et les réussites de la Régie. Celle-ci se caractérise sa démarche depuis sa création, en 1946, et c'est le principe directeur sur lequel elle agit. Elle est fermée et pertinente sous-entend une gestion efficace et prudente des ressources de la Société ainsi qu'une transparence et une responsabilité vis-à-vis des Canadiens.

CONSEIL D'ADMINISTRATION

Mandat du Conseil

Le Conseil d'administration est responsable de la gestion globale de la Régie de la Société. Il est composé de membres élus par les actionnaires de la Régie. Le Conseil d'administration est responsable de la gestion globale de la Régie de la Société. Il est composé de membres élus par les actionnaires de la Régie. Le Conseil d'administration est responsable de la gestion globale de la Régie de la Société. Il est composé de membres élus par les actionnaires de la Régie.

à la politique du logement, veille à l'intégrité des lignes de conduite et des procédés administratifs de la Société, détermine et gère les risques importants auxquels elle est exposée et évalue son rendement global. Pour ce faire, le Conseil d'administration de la SCHL procède actuellement à un examen de sa charte et du mandat de ses comités afin de s'assurer qu'ils définissent clairement leurs rôles et leurs responsabilités, qu'ils répondent aux attentes du gouvernement du Canada et qu'ils sont conformes aux pratiques exemplaires en matière de régie interne. La charte du Conseil et le mandat de ses comités seront publiés sur le site Web de la SCHL en 2006, en vue d'améliorer la reddition de comptes et la transparence.



De gauche à droite : Sophie Joncas, Louis Rénier, Alexander Werzberger, Gary Mooney, Dino Chiesa, Karen Kinsley, Robert Hayes, Harold Calla, Catherine C. Cronin et Hugh Heron.

RÉGIE DE LA SOCIÉTÉ

Conseil d'administration

Pratiques de régie interne

Comités du Conseil d'administration

Accent sur les valeurs et l'éthique

L'importance que nous accordons au développement durable découle de notre engagement de longue date à la création de collectivités durables. Pour respecter cette priorité, nous avons décidé de rembourser une partie de la prime d'assurance prêt hypothécaire s'appliquant aux habitations éconergétiques. Nous avons également mis en œuvre deux projets pilotes en matière d'assurance prêt hypothécaire dans le but de favoriser le réaménagement des terrains contaminés. En outre, nous jouons un rôle prépondérant en ce qui a trait à l'initiative saine à la Maison saine à consommation énergétique nette zéro, qui vise à faciliter l'intégration de maisons de démonstration de ce genre dans des projets de collectivités durables prévus dans différentes régions du Canada.

En ce qui a trait à son environnement interne, la SCHL reconnaît depuis longtemps que sa plus grande force, c'est ses employés. Nous continuons d'actualiser nos programmes, nos lignes de conduite et nos pratiques en matière de ressources humaines afin de nous assurer que nos employés disposent des outils et des compétences dont ils ont besoin pour accomplir leur travail le mieux possible. En 2005, nous avons concentré nos efforts sur la gestion de la relève comme moyen de constituer un effectif de réserve. Nous avons également terminé la mise en œuvre de notre initiative de sensibilisation à l'éthique afin de faire en sorte que tous les membres de la Société aient la même perception et la même connaissance des valeurs qui sous-tendent nos activités.

UN AVENIR PROMETTEUR

En 2006 et au-delà, l'un de nos principaux objectifs consistera à trouver de nouvelles et de meilleures façons d'aider les démunis, fondées sur l'équité — une valeur chère aux Canadiens — tout en tenant compte de l'éventail des besoins et de la diversité des compétences nécessaires pour les combler. Nous continuerons d'accorder une attention particulière aux défis considérables auxquels doivent faire face les Autochtones au Canada et nous utiliserons tous les outils dont nous disposons, notamment l'optimisation de l'impact de l'aide au logement, le transfert des compétences et du savoir-faire nécessaires et la création de conditions ressemblant à celles du marché, partout où cela est possible.



Karen Kinsley
Présidente et première dirigeante

Dans le domaine du financement de l'habitation, nous nous donnons une orientation à long terme en ce qui a trait à nos outils actuels en matière d'assurance prêt hypothécaire et de titrisation, compte tenu de l'évolution du secteur des services financiers, et ce, tout en continuant d'innover afin d'améliorer l'accès au logement et les services que nous offrons aux Canadiens. Les études de marché et les informations relatives à l'habitation demeureront des outils essentiels pour proposer aux Canadiens des solutions en matière de logement, et nous adapterons nos produits à mesure que nous comprendrons mieux les besoins des clients. La SCHL continuera de s'employer à favoriser la création d'habitations écologiques et de collectivités durables, ici au pays, de soutenir les produits, les services et les éléments d'habitat canadiens reconnus mondialement et d'en faire la promotion sur la scène internationale. Nous avons beaucoup à partager avec les pays étrangers et beaucoup à apprendre d'eux. À cet égard, nous considérons que le Forum urbain mondial et le 26^e Congrès mondial de l'International Union for Housing Finance, qui se tiendront à Vancouver en 2006, constituent d'excellentes occasions à saisir.

Enfin, nous comprenons que nous devons être une organisation solide et efficace afin d'assumer les responsabilités que le gouvernement du Canada nous confie. Pour ce faire, nous continuons de compter sur des pratiques novatrices dans le domaine des ressources humaines, sur des techniques modernes en matière de gestion financière et de gestion des risques, sur une solide plateforme technologique et sur un cadre de régie ferme.

Nous ne possédons pas toutes les réponses et nous ne croyons pas pouvoir régler, seuls, les problèmes cruciaux se rapportant au logement. En 2006, comme au cours des 60 dernières années, nous ferons appel au savoir-faire de nos nombreux partenaires et groupes cibles ainsi qu'à l'engagement et au dévouement de nos employés afin de réaliser notre rêve qui consiste à permettre à tous les Canadiens de se procurer un chez-soi sûr et abordable.

Par suite de nos activités reliées au financement de l'habitation, la valeur des polices d'assurance en vigueur atteint maintenant 273,7 milliards de dollars, et celle des titres garantis en circulation s'élève à 103,7 milliards de dollars.

Conformément à la nouvelle Note d'orientation concernant la comptabilité n° 15 (NON-15), publiée par l'Institut Canadien des Comptables Agréés, nous présentons les états financiers consolidés de la SCHL et de la Fiducie du Canada pour l'habitation (FCH). La consolidation de la FCH, une fiducie indépendante qui émet les Obligations hypothécaires du Canada, garanties par la SCHL, se traduit par un accroissement de l'actif et du passif consolidés de 72,8 milliards de dollars et par une augmentation des revenus et des dépenses de 2,6 milliards de dollars.

Pour ce qui est de l'avenir, nous sommes bien conscients que des changements cruciaux sont en cours dans le secteur des services financiers au Canada. À titre d'acteur principal dans le secteur du financement de l'habitation, la SCHL se prépare activement aux changements prévus sur le plan de la réglementation et de la concurrence, susceptibles d'avoir une incidence considérable sur le contexte commercial dans lequel elle évoluera et sur sa façon de faire des affaires. Nous continuerons d'examiner les conséquences possibles de ces changements et la meilleure façon de positionner nos activités d'assurance et de titrisation afin de faire en sorte que nous soyons en mesure de relever les défis et de saisir les occasions qui se présenteront dans l'avenir.

Faire en sorte que le système canadien du logement demeure l'un des meilleurs du monde

En 2005, nous avons consacré d'énormes efforts aux consultations menées auprès d'une foule de partenaires et d'acteurs du secteur de l'habitation afin de mieux comprendre la diversité des besoins des Canadiens en matière de logement, dans le but d'établir une nouvelle stratégie nationale sur le logement. Nous avons donné suite à ces consultations en effectuant des recherches et des analyses et en élaborant des lignes de conduite afin d'examiner les options possibles.

De nombreux pays s'empressent de faire appel au Canada en raison de la grande qualité de ses habitations et de notre savoir-faire dans ce domaine, à la fois sur les plans financier et technique. En 2005, comme dans le passé, nous avons poursuivi nos activités internationales afin de contribuer à l'amélioration des conditions de logement dans le monde. Nos efforts sur la scène internationale, qui nous ont permis d'apporter une aide substantielle aux membres du secteur canadien de l'habitation désireux de percer des marchés étrangers, ont contribué à renforcer l'économie de notre pays.

Il convient particulièrement de souligner notre collaboration, au cours de l'année 2005, avec les organisations autochtones nationales et les autres partenaires fédéraux dans le but de régler les problèmes auxquels font face les Autochtones au Canada et d'améliorer les perspectives qui s'offrent à eux, dans le domaine de l'habitation. Je suis heureuse de constater qu'un nouveau consensus est en train de se dégager quant à la direction à prendre et que les parties intéressées se montrent de plus en plus empressées à utiliser des objectifs mesurables pour évaluer les progrès accomplis.

La SCHL a été l'instigatrice des efforts visant à créer, dans les réserves, des conditions de logement correspondant davantage à la capacité financière d'accéder à la propriété pour les personnes ayant la capacité financière d'accéder à la propriété puissent le faire. En 2005, nous avons signé, avec le conseil de la bande Nakazdi du nord de la Colombie-Britannique, la première entente relative au projet pilote d'assurance prêt hypothécaire dans les réserves. Il s'agit d'une initiative originale de partage des risques qui vise à offrir aux membres de la bande la possibilité d'accéder à la propriété. Le logement des Autochtones et le développement de leur capacité demeureront une importante priorité pour la SCHL en 2006, car nous contribuons — à court et à long terme — à l'amélioration des conditions de logement et de vie des Autochtones du Canada.

Faciliter l'accès de tous les Canadiens à des logements plus abordables et de meilleure qualité

Nous avons également accompli d'importantes réalisations dans le domaine du financement de l'habitation tout en continuant de bien servir les Canadiens. En 2005, nous avons apporté un certain nombre d'améliorations à nos produits d'assurance prêt hypothécaire. Nous avons notamment réduit, pour la deuxième fois en deux ans, les primes d'assurance prêt hypothécaire pour propriétaires-occupants et nous avons éliminé la prime s'appliquant à certains types d'ensembles de logements locatifs abordables, deux mesures qui ont contribué à faciliter l'accès au logement. En outre, nous avons de nouveau assuré un volume record de prêts hypothécaires. Nous sommes déterminés à continuer, en 2006, à jouer un rôle de chef de file et à faire en sorte que nos produits et services en matière d'assurance prêt hypothécaire tiennent compte de l'évolution des besoins des Canadiens. Les efforts que nous avons déployés pour garantir une offre abondante de fonds à faible coût destinés au crédit à l'habitation, par l'entremise du Programme des titres hypothécaires et du Programme des Obligations hypothécaires du Canada, se sont également traduits par un important succès.



MESSAGE DE LA PRÉSIDENTE

FIERES DE NOTRE PASSE

Il y a 100 ans, le Canada était une jeune nation, une nation qui venait de naître. Elle était jeune, mais elle était forte. Elle était fière de son passé, de son histoire, de ses valeurs. Elle était fière de son peuple, de ses citoyens, de ses habitants. Elle était fière de son avenir, de son développement, de son progrès. Elle était fière de son identité, de son caractère, de son esprit. Elle était fière de son pays, de son territoire, de son patrimoine. Elle était fière de son rôle, de son influence, de son impact. Elle était fière de son engagement, de son responsabilité, de son devoir. Elle était fière de son honneur, de son respect, de son dignité. Elle était fière de son amour, de son compassion, de son empathie. Elle était fière de son courage, de son bravoure, de son héroïsme. Elle était fière de son espoir, de son optimisme, de son positivisme. Elle était fière de son rêve, de son ambition, de son aspiration. Elle était fière de son rêve de paix, de son rêve de justice, de son rêve de prospérité. Elle était fière de son rêve de monde meilleur, de son rêve de société plus juste, de son rêve de vie plus épanouissante. Elle était fière de son rêve de Canada plus uni, plus inclusif, plus équitable. Elle était fière de son rêve de Canada plus fier de son passé, plus fier de son présent, plus fier de son avenir.

collaborer avec nos partenaires provinciaux et territoriaux afin d'offrir aux Canadiens, à faible revenu, un accès à l'initiative de logement abordable, en particulier dans le domaine du logement novatrice. En 2005, nous avons versé une aide financière à quelque 7 200 ménages à faible revenu pour leur permettre d'effectuer des réparations nécessaires. Nos contributions dans le domaine du logement ont permis de contribuer à la création de près de 2 400 logements abordables en ne faisant que très peu ou pas du tout appel à des subventions fédérales. Nous accordons un financement initial et des fonds pour la préparation de projets afin d'accroître la capacité du secteur de l'habitation à offrir de nouvelles options de logement, à prix abordable, dans l'avenir.

NOS RÉALISATIONS

Le Canada est une nation fière de son passé, de son histoire, de ses valeurs. Elle est fière de son peuple, de ses citoyens, de ses habitants. Elle est fière de son avenir, de son développement, de son progrès. Elle est fière de son identité, de son caractère, de son esprit. Elle est fière de son pays, de son territoire, de son patrimoine. Elle est fière de son rôle, de son influence, de son impact. Elle est fière de son engagement, de son responsabilité, de son devoir. Elle est fière de son honneur, de son respect, de son dignité. Elle est fière de son amour, de son compassion, de son empathie. Elle est fière de son courage, de son bravoure, de son héroïsme. Elle est fière de son espoir, de son optimisme, de son positivisme. Elle est fière de son rêve, de son ambition, de son aspiration. Elle est fière de son rêve de paix, de son rêve de justice, de son rêve de prospérité. Elle est fière de son rêve de monde meilleur, de son rêve de société plus juste, de son rêve de vie plus épanouissante. Elle est fière de son rêve de Canada plus uni, plus inclusif, plus équitable. Elle est fière de son rêve de Canada plus fier de son passé, plus fier de son présent, plus fier de son avenir.

NOS CANADIENS DANS LE MONDE

Le Canada est une nation fière de son passé, de son histoire, de ses valeurs. Elle est fière de son peuple, de ses citoyens, de ses habitants. Elle est fière de son avenir, de son développement, de son progrès. Elle est fière de son identité, de son caractère, de son esprit. Elle est fière de son pays, de son territoire, de son patrimoine. Elle est fière de son rôle, de son influence, de son impact. Elle est fière de son engagement, de son responsabilité, de son devoir. Elle est fière de son honneur, de son respect, de son dignité. Elle est fière de son amour, de son compassion, de son empathie. Elle est fière de son courage, de son bravoure, de son héroïsme. Elle est fière de son espoir, de son optimisme, de son positivisme. Elle est fière de son rêve, de son ambition, de son aspiration. Elle est fière de son rêve de paix, de son rêve de justice, de son rêve de prospérité. Elle est fière de son rêve de monde meilleur, de son rêve de société plus juste, de son rêve de vie plus épanouissante. Elle est fière de son rêve de Canada plus uni, plus inclusif, plus équitable. Elle est fière de son rêve de Canada plus fier de son passé, plus fier de son présent, plus fier de son avenir.



Même si nous avons remporté de nombreux succès et si nous continuons de jouer un rôle de premier plan dans la création de logements de grande qualité au Canada, nous sommes conscients que nous avons d'importants défis à relever. Il nous suffit d'examiner l'état des logements dans les réserves ou le nombre des familles incapables de trouver un logement abordable, ou encore la proportion des sans-abri, pour comprendre qu'il reste beaucoup à faire avant que nous puissions être sûrs que tous les Canadiens bénéficient des avantages de vivre dans un pays où les gens sont bien logés. Pour ce qui est de l'avenir, j'aimerais souhaiter la bienvenue aux membres du Conseil d'administration qui se sont joints à nous cette année : Harold Calla, qui apporte son expérience de gestion financière et qui participe activement à la gouvernance des communautés autochtones; Gary Mooney, qui a acquis une vaste expérience comme avocat et aussi dans le secteur de l'assurance; et Alexander Werzberger, qui possède plus de 40 années d'expérience à titre de constructeur et de promoteur immobilier. J'aimerais aussi remercier de leur contribution exceptionnelle les membres qui ont terminé leur mandat en 2005 : Michel Bérubé et Grace Kwok.

Depuis la création de la SCHL, nous avons démontré notre capacité à nous adapter aux réalités actuelles, à inciter les autres à contribuer à leur façon à l'amélioration des conditions de logement et de vie au Canada. Au moment où nous célébrons notre 60^e anniversaire à titre d'organisme national responsable de l'habitation, j'ai l'intime conviction que nous continuerons de faire preuve des nombreuses qualités qui nous distinguent, la détermination, le dévouement, la capacité de maintenir le cap au besoin et la vision nécessaire pour imprimer de nouvelles directions lorsque les défis à relever le justifient.



Dino Chiesa
Président du Conseil d'administration

tiré parti de nos relations au sein de l'administration publique et du secteur de l'habitation pour former un partenariat dans le but de réduire considérablement l'énergie consommée dans les maisons neuves.

C'est notre souci de l'excellence qui nous a permis de réaliser tout cela. Grâce à ses innovations et à une saine gestion financière, la SCHL est depuis longtemps un pilier dans le domaine du financement de l'habitation au Canada. Nous sommes le principal assureur hypothécaire et le principal agent de titrisation. Parce que nous sommes là, les Canadiens qui veulent acheter ou vendre une habitation savent qu'ils peuvent compter sur un système de financement hypothécaire qui fonctionne bien. Par conséquent, des centaines de milliers de Canadiens ont pu accéder à la propriété plus rapidement et à moindre coût, grâce à la SCHL.

Depuis le 1^{er} janvier 1946, notre principale réalisation a été la création d'une solide communauté au travail. Nous comptons les uns sur les autres pour effectuer notre travail, tout en respectant nos valeurs éthiques. Dans les pages qui suivent, vous trouverez un compte rendu détaillé de nos réalisations par rapport aux objectifs que nous nous sommes fixés pour 2005, lesquels découlent directement des priorités établies par le gouvernement du Canada et des responsabilités qu'il nous a confiées. Vous y trouverez également une analyse de nos points forts, des défis que nous devons relever et des risques auxquels nous sommes exposés, ainsi que des prévisions sur la façon dont nous gérerons les ressources publiques mises à notre disposition. Nous vous parlerons des systèmes que nous avons mis en place pour mener nos activités de façon efficace et pour respecter les priorités que nous nous sommes fixées pour l'avenir.

En 2005, conformément à notre habitude, nous avons continué d'écouter les Canadiens en participant aux consultations nationales sur la direction à prendre en matière de politique du logement. Nous avons aussi collaboré étroitement avec nos partenaires provinciaux et territoriaux afin de trouver des solutions dans le domaine de l'habitation, et nous avons signé des ententes en vertu de l'initiative en matière de logement abordable avec les 13 provinces et territoires. Grâce à la participation active de ces partenaires, nous metrons en œuvre la phase II de cette initiative, nous en partagerons les coûts et nous augmenterons l'offre de logements abordables dans toutes les régions du pays. Nous avons écouté les parties intéressées et nous avons fait en sorte qu'elles puissent obtenir plus facilement et à moindre coût des prêts hypothécaires afin de créer des ensembles de logements abordables. Nous avons

MESSAGES

Message du président du Conseil d'administration
Message de la présidente



LA SOCIÉTÉ CANADIENNE D'HYPOTHÈQUES ET DE LOGEMENT
DE L'ABORD AU CREDIT
ET À LA PROTECTION DU CREDIT

La SCHL est une organisation à but non lucratif qui a pour but de promouvoir l'accès à la propriété et de protéger les intérêts des propriétaires et des locataires. Elle agit en tant qu'intermédiaire entre les banques et les particuliers, et elle offre des services de conseil et d'assistance aux personnes qui ont des difficultés financières.

Années 1950 : De la construction d'habitations à l'édification de collectivités
L'évolution se poursuit : la SCHL passe de la construction d'habitations à l'aménagement de collectivités, grâce à l'assurance prêt hypothécaire et aux ensembles de logements publics.

Années 1960 : Renaissance des villes canadiennes
La SCHL met désormais l'accent sur la planification et l'aménagement des collectivités, afin d'aider les municipalités à faire face à la croissance rapide des villes.

Années 1970 : Pleins feux sur le logement social
La SCHL joue un rôle important en matière de logement social; elle permet aux personnes à faible revenu d'accéder à la propriété, aide à préserver le parc de logements essentiels, assure la sauvegarde des quartiers historiques et s'occupe de répondre aux besoins des autochtones en matière de logement.

Années 1980 : Nouvelles bases pour assurer la qualité et l'abordabilité
En réponse aux importantes fluctuations dans l'économie canadienne, la SCHL offre des programmes de prêts pour faciliter l'accès à la propriété.

Années 1990 : Nouvelle ère pour la science du bâtiment
La SCHL produit et partage de l'information sur la technologie du bâtiment, pour tenter d'apporter une solution aux problèmes de qualité de l'air et d'hygiène dans les habitations, de même qu'aux problèmes de santé liés aux polluants environnementaux. En plus de favoriser le partenariat public-privé pour la production d'ensembles d'habitation, la SCHL a lancé un système d'approbation automatisée des demandes d'assurance prêt hypothécaire, et étendu ses activités à l'échelle internationale.

Années 2000 et au-delà : Tous nos chemins mènent chez vous
La SCHL demeure déterminée à aider la population canadienne à avoir accès à un vaste choix de logements sûrs, de qualité et à l'abri d'incidents de catastrophe, et elle favorise la création de villes et de collectivités dynamiques et durables partout au pays. La SCHL est vraiment au cœur de l'habitation.

MISSION

VALEURS

Agir avec intégrité

Nous influençons par l'exemple, nous respectons nos engagements et nous sommes déterminés à...

Servir l'intérêt public

Le public nous investit de sa confiance et nous devons lui répondre de la manière la plus responsable possible.

Notre mission est de promouvoir la qualité de la vie et de protéger les intérêts des citoyens. Nous nous engageons à...

Nous mettons en pratique les normes de compétence, de compétence et de prudence les plus élevées dans la conduite de nos relations d'affaires et dans la gestion des ressources humaines, matérielles et financières.

Atteindre l'excellence en affaires

Nous acceptons volontiers la responsabilité de nos actions et nous nous engageons à améliorer continuellement nos pratiques et nos processus. Nous nous engageons à...

Bâtir une communauté au travail

Nos relations de travail sont fondées sur le respect, la confiance et l'honnêteté. Nous nous engageons à...

Respecter l'environnement

Nous nous engageons à protéger l'environnement et à promouvoir le développement durable. Nous nous engageons à...

2005	2004	2003	2002	2001	2000
88 588	101 093	86 008	81 008	59 975	57 499
84 430	96 665	77 582	3 476	2 476	2 476
4 158	4 428	4 334	5 565	5 565	5 565
7 069	7 334	5 870	5 161	4 556	4 556
5 859	1 002	950	667	667	667
817	1 002	950	667	667	667
1 902	1 804	1 814	1 799	1 799	1 799

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NOTRE MANDAT

Rapport annuel 2005

SOCIÉTÉ CANADIENNE D'HYPOTHÈQUES ET DE LOGEMENT



UN AVENIR PROMETTEUR
FIERS DE NOTRE PASSÉ



TODAY'S OPPORTUNITIES, TOMORROW'S SUCCESSES

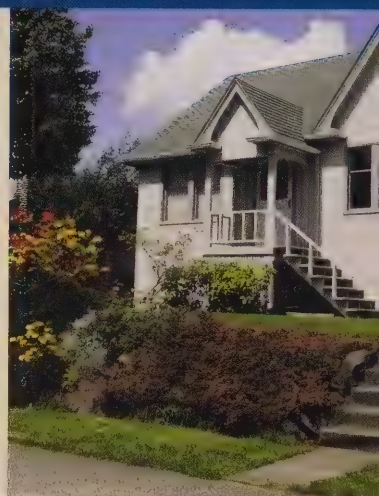
Canada Mortgage and Housing Corporation
2006 Annual Report

Our Mission

Promote housing quality, affordability
and choice for Canadians.

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FORWARD-LOOKING STATEMENTS

CMHC's Annual Report contains forward-looking statements regarding objectives, strategies and expected financial results. There are risks and uncertainties beyond the control of CMHC that include, but are not limited to, economic, financial, and regulatory conditions nationally and internationally. These factors, among others, may cause actual results to differ substantially from the expectations stated or implied by forward-looking statements.

Ce rapport est aussi disponible en français.

IN SUPPORT OF OUR THREE CORPORATE OBJECTIVES, WE WERE ENGAGED IN A WIDE VARIETY OF ACTIVITIES IN 2006 AIMED AT HELPING CANADIANS MEET THEIR HOUSING NEEDS.



By entering into a partner's secure commitment of 100 new affordable housing units under the Affordable Housing and Job Creation Act, the City of Portland is working through the Portland Center for Housing Equity, a 501(c)(3) nonprofit, to ensure that the units will be used for housing low-income households, including those with the greatest need for housing. In providing housing to low-income households, the new commitment of 100 new affordable housing units for much needed housing for water utilities workers and their families to create jobs. But the new commitment of 100 new affordable housing units for water utilities workers and their families is a commitment to create jobs. But the new commitment of 100 new affordable housing units for water utilities workers and their families is a commitment to create jobs. But the new commitment of 100 new affordable housing units for water utilities workers and their families is a commitment to create jobs.

By featuring a 20-year tax life, the Flex100 offers a 100% bonus depreciation, a 100,000 mortgage insurance deduction, and a 100% bonus depreciation. The Flex100 also offers a 100% bonus depreciation, a 100,000 mortgage insurance deduction, and a 100% bonus depreciation. The Flex100 also offers a 100% bonus depreciation, a 100,000 mortgage insurance deduction, and a 100% bonus depreciation.

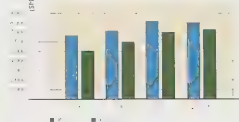
By evaluating different parts of the Canadian residential mortgage market for potential expansion, the bank's automated risk management system **emili** can help the bank assign risk to the most suitable product and the most appropriate market. Properly managed, this is a low-risk investment, and the bank's relationship with the Government of Canada makes it a particularly attractive proposition.

Financial Performance	2004 Actual	2005 Actual	2006 Actual	2006 Plan
Revenue (\$M)	6,560	7,334	8,262	7,971
Operating Profit (\$M)	1,000	1,100	1,200	1,150
Net Income (\$M)	750	850	950	900
EPS (\$)	1.50	1.70	1.90	1.80
Operating Margin (%)	15.2	15.0	14.5	14.4
Net Income Margin (%)	10.8	11.5	11.5	11.3

Financial prudence and strategic planning ensure we remain in sound financial health, and are able to continue our mission of promoting housing quality, affordability and choice for Canadians.

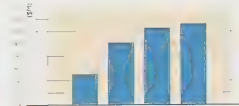
We continue to expand our business,
while managing our expenses

Research and Expenditures



Net income increased slightly over 2005

List of abbreviations



Total equity grew by 23% in 2006

^c 1.4% older Equit.

When an athlete, with many years of training and competition, approaches the start line, that athlete is confident, prepared, determined and, above all, focused on the challenge ahead. Success is on the horizon.

As we close 60 years of serving Canadians, we too are confident about the challenges that lie ahead. **Experienced. Trusted. Passionate. Forward-thinking.** Ready to capture the opportunities that abound today and realize a successful tomorrow for housing in Canada.

WHO WE ARE

CMHC is a federal Crown corporation that is mandated to help Canadians achieve their housing goals. We have shaped Canada's housing policy and programs to ensure that Canadians have a secure, affordable and comfortable home.

Created in 1946 by the *Alfred Acheson* Act, our mandate includes: returning war veterans' homes to civilian use; building affordable rental housing; and providing Canada's premier public mortgage programs and programs to help relieve mortgage stress and mortgage-related issues.

WHAT WE DO

We deliver housing programs that benefit Canadians

- We, on behalf of the federal government, provide financial support to help low- and moderate-income households obtain affordable housing and attain financial security.
- We support the housing market by providing a range of mortgage programs to help home buyers and sellers.
- We support and promote the expansion of affordable rental housing and encourage private housing development and employment.

We provide loans directly to social housing sponsors

- We provide low-cost loans directly to social housing sponsors to fund the construction of their permanent affordable housing. This funding is made available through the Social Housing Investment Fund, which is managed by the Social Housing Investment Fund Corporation.

We offer mortgage insurance

- We offer a range of mortgage insurance products to help protect the interests of mortgage lenders and borrowers. Our products include mortgage insurance, mortgage default insurance, and mortgage default insurance, which are provided through the Mortgage Insurance Corporation of Canada.

We provide guarantees on mortgage-related securities

- We provide guarantees of timely payment of principal and interest on mortgage-related securities. This guarantee is provided through the Mortgage-Related Securities Guarantee Corporation.

HOW WE DO IT

- We receive Parliamentary appropriations and other funding from the federal government to carry out our mandate.
- Our business strategy is to provide a range of services to the housing sector, including mortgage insurance, mortgage default insurance, and mortgage default insurance.
- We have a strong track record of successful completion of our mandate, including the successful completion of the mortgage insurance program and the mortgage default insurance program.

affordable housing for young people in Windsor, Ontario



Our Mandate

The promotion of:

- housing construction, repair and modernization;
- housing affordability and choice;
- improvements to overall living conditions;
- the availability of low-cost financing; and
- the national well-being of the housing sector.

Our Public Policy Objectives

1. Help Canadians in Need
2. Facilitate Access to More Affordable, Better Quality Housing For All Canadians
3. Ensure the Canadian Housing System Remains One of the Best in the World

Our Values

We lead by example, we honour our obligations, and are committed to:

Serving the Public Interest

As stewards of the public trust we serve with fairness, impartiality and objectivity. All of our activities, including those that are commercial in nature, are carried out in support of our public policy objectives. Our actions are inspired by a respect for human dignity and the value of every person.

Achieving Business Excellence

We exercise the highest standards of competence, trustworthiness and prudence in conducting our business relationships and in managing the financial, physical, and human resources entrusted to our care. We encourage learning, innovation and personal initiative to continuously improve the way we do business and achieve the best possible results for the Canadian public.

Building a Workplace Community

We practice mutual respect and honesty in our working relationships. We help each other to achieve the goals of the team and the organization, and to maintain a healthy balance between our CMHC work and the other parts of our lives.

We willingly explain our actions so that we may hold ourselves, and each other, accountable for living these values in the workplace.

BUSINESS HIGHLIGHTS...

The following table summarizes CMHC's results and projections for key business areas over the planning period.

Corporate Results	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Plan
Total Assets (\$M) ¹	41,430	59,925	81,008	101,093	124,218	107,111
Total Liabilities (\$M) ¹	39,621	57,449	77,582	96,665	118,764	101,802
Total Equity (\$M)	1,809	2,476	3,426	4,428	5,454	5,309
Total Revenues (\$M) ¹	4,634	5,563	6,560	7,334	8,262	7,971
Total Expenses (\$M)	3,779	4,556	5,161	5,870	6,780	6,541
Total Operating Expenses (\$M) ¹	257	294	305	303	298	384
Net Income (\$M)	544	667	950	1,002	1,026	965
Other Comprehensive Income (\$M) ²	n/a	n/a	n/a	n/a	n/a	n/a
Comprehensive Income (\$M) ²	n/a	n/a	n/a	n/a	n/a	n/a
Reserve Fund (\$M)	56	91	134	143	143	139
Staff Years	1,772	1,799	1,814	1,804	1,877	1,917 ⁶
INSURANCE						
Annual Insurance Units Approved	583,225	517,795	652,573	746,157	631,191	574,633
Insurance in Force (\$M)	224,345	230,000	243,800	273,700	291,400	264,027
Net Insurance Claims Expense (\$M)	139	188	51	119	209	171
Premiums and Fees Received (\$M)	1,285	1,203	1,446	1,492	1,383	1,401
Investments (including cash) (\$M) ³	5,863	6,710	7,831	9,053	9,974	9,750
Net Income (\$M)	513	602	875	951	981	927
Other Comprehensive Income (\$M) ²	n/a	n/a	n/a	n/a	n/a	n/a
Comprehensive Income (\$M) ²	n/a	n/a	n/a	n/a	n/a	n/a
Unappropriated Retained Earnings (\$M)	255	0	0	657	1,313	1,273
Retained Earnings Set Aside for Capitalization (\$M)	1,380	2,237	3,112	3,406	3,731	3,648
SECURITIZATION						
Annual Securities Guaranteed (\$M)	20,642	27,017	29,592	30,374	36,071	18,000
Securitization Guarantees in Force (\$M)	45,473	59,994	80,800	103,709	129,500	104,700
Fees Received (\$M)	45	60	66	68	85	41
Investments (including cash) (\$M) ³	158	200	266	327	396	325
Net Income (\$M)	17	30	32	42	45	36
Other Comprehensive Income (\$M) ²	n/a	n/a	n/a	n/a	n/a	n/a
Comprehensive Income (\$M) ²	n/a	n/a	n/a	n/a	n/a	n/a
Unappropriated Retained Earnings (\$M)	93	123	155	197	242	223
HOUSING PROGRAMS						
Housing Program Expenses (\$M) (excluding operating expenses)	1,828	1,972	2,006	1,973	2,049	2,059 ⁴
Affordable Housing Initiative Expenditures (\$M) ⁴	20	166	173	175	168	159
Estimated Households Assisted Through Long-Term Commitments	638,850	635,900	632,650	633,000	630,000	632,000
Renovation Programs (units)	24,850	18,467	25,539	21,990	20,535	19,054 ⁷
Renovation Programs – On-reserve (units) ⁵	1,546	1,183	1,484	1,508	2,421	979
On-Reserve Non-Profit New Commitments (units)	1,050	968	978	1,045	4,393	4,007
LENDING						
Loans and Investments in Housing Programs (\$M)	14,586	14,075	13,669	13,170	12,706	13,186
Borrowings from Capital Markets (\$M)	10,242	10,244	9,212	9,467	8,625	9,146
Borrowings from the Government of Canada (\$M)	5,474	5,232	5,045	4,899	4,701	4,651
Net Income (\$M)	14	35	43	9	0	1
CANADA HOUSING TRUST						
Canada Housing Trust Assets (\$M)	18,125	35,422	54,975	73,208	96,445	81,016
Canada Housing Trust Liabilities (\$M)	18,125	35,422	54,975	73,208	96,445	81,016

1 Historical results have been restated to reflect the consolidation of Canada Housing Trust.

2 New components of the financial statements as required by the implementation of the financial instruments guidelines (see section on Management's Discussion and Analysis, Future Accounting and Reporting Changes).

3 Excludes investments related to repurchase activities and accrued interest receivable.

4 A component of Housing Program Expenses.

5 A component of Renovation Programs.

6 Does not reflect the one-year extension of the Renovation Program announced in Budget 2006.

7 The 2006 target was revised from 5,378 to 19,054 as a result of the one-year extension of the Renovation Programs announced in Budget 2006.

...AND OUTLOOK

Corporate Results					
	2007 Plan	2008 Plan	2009 Plan	2010 Plan	2011 Plan
Total Assets (\$M) ¹	127,548	132,282	145,776	155,541	161,578
Total Liabilities (\$M)	120,752	124,342	136,569	145,037	149,652
Total Equity (\$M)	6,796	7,940	9,207	10,504	11,926
Total Revenues (\$M) ¹	8,137	8,342	9,188	9,846	10,407
Total Expenses (\$M) ¹	6,606	6,714	7,470	8,047	8,529
Total Operating Expenses (\$M) ¹	362	380	402	424	467
Net Income (\$M)	1,033	1,131	1,202	1,278	1,334
Other Comprehensive Income (\$M) ²	65	13	65	20	88
Comprehensive Income (\$M) ²	1,098	1,144	1,267	1,297	1,422
Reserve Fund (\$M)	151	147	138	127	121
Staff Years	1,897	1,859	1,851	1,851	1,842
INSURANCE					
Annual Insurance Units Approved	603,061	584,781	574,659	568,141	556,000
Insurance in Force (\$M)	308,800	314,400	318,000	320,000	320,000
Net Insurance Claims Expense (\$M)	181	208	220	222	235
Premiums and Fees Received (\$M)	1,529	1,530	1,545	1,562	1,578
Investments (including cash) (\$M) ³	11,760	13,002	14,240	15,588	17,063
Net Income (\$M)	991	1,081	1,151	1,222	1,270
Other Comprehensive Income (\$M) ²	60	15	59	22	81
Comprehensive Income (\$M) ²	1,051	1,096	1,210	1,244	1,351
Unappropriated Retained Earnings (\$M)	1,608	2,314	3,235	4,267	5,432
Retained Earnings Set Aside for Capitalization (\$M)	4,433	4,807	5,037	5,227	5,333
SECURITIZATION					
Annual Securities Guaranteed (\$M)	30,500	32,500	34,500	36,000	37,500
Securitization Guarantees in Force (\$M)	136,900	140,500	153,500	160,400	169,800
Fees Received (\$M)	69	73	78	82	87
Investments (including cash) (\$M) ³	460	517	590	655	739
Net Income (\$M)	46	54	60	67	61
Other Comprehensive Income (\$M) ²	4	(2)	5	(3)	1
Comprehensive Income (\$M) ²	50	52	65	64	62
Unappropriated Retained Earnings (\$M)	288	343	403	469	538
HOUSING PROGRAMS					
Housing Program Expenses (\$M) (excluding operating expenses)	1,930	1,884	1,887	1,853	1,820
Affordable Housing Initiative Expenditures (\$M) ⁴	82	76	63	2	1
Estimated Households Assisted through Long-term Commitments	630,400	623,200	616,400	608,000	601,000
Renovation Programs (units) ⁵	3,694	924	924	924	924
Renovation Programs – On-reserve (units) ^{5,6}	644	601	601	601	60
On-Reserve Non-Profit New Commitments (units)	1,122	809	809	809	809
LENDING					
Loans and Investments in Housing Programs (\$M)	12,643	12,273	11,783	11,343	10,900
Borrowings from Capital Markets (\$M)	8,694	8,773	8,502	8,263	7,970
Borrowings from the Government of Canada (\$M)	4,446	4,235	4,025	3,822	3,600
Net Income (\$M)	(4)	(4)	(9)	—	—
CANADA HOUSING TRUST					
Canada Housing Trust Assets (\$M)	99,866	103,541	116,140	—	—
Canada Housing Trust Liabilities (\$M)	99,866	3	—	—	—

1 Historical results have been restated to reflect the consolidation of the Canada Housing Trust.

2 New components of the financial statements as required by the implementation of IFRS 1 (see section on Management's Discussion and Analysis, Future Accounting and Reporting).

3 Excludes investments related to repurchase activities and accrued interest receivable.

4 Future year projected commitments reflect on-going funding of RRAP On-Reserve and Shelter.

5 A component of Housing Program Expenses.

6 A component of Renovation Programs.

OUR STRUCTURE

Our national office is located in Ottawa. We operate five regional business centres from the following major cities: Halifax (Atlantic region), Montreal (Quebec region), Toronto (Ontario region), Calgary (Prairie and Territories region) and Vancouver (British Columbia region). We also have points-of-service or corporate representatives in smaller centres throughout the country. National Office, the regional business centres and the points-of-service work in close cooperation to provide Canadians with front-line access to CMHC services.

Granville Island

CMHC is responsible for the management and administration of Granville Island on behalf of the Government of Canada, for which CMHC receives a management fee. The Island is a cultural, recreational and commercial development in the heart of Vancouver. Operationally, it is expected to be commercially viable. Capital additions are funded through operations, grants and contributions.

Canada Housing Trust

Canada Housing Trust (CHT) is an arms-length legal entity for which CMHC provides guarantees and financial advisory services, which has been consolidated due to the application of accounting rules. Its functions are limited to the acquisition of ownership interests in eligible housing loans such as *National Housing Act Mortgage-Backed Securities* (NHA MBS), the purchase of highly-rated investments, certain related financial hedging activities and the issuance of Canada Mortgage Bonds (CMB).

Our Senior Management Team

Karen Kinsley

President and Chief Executive Officer

NATIONAL OFFICE

Anthea English

Vice-President, Corporate Services and
Chief Financial Officer

Mark McInnis

Acting Vice-President, Insurance Underwriting,
Servicing and Policy

Sharon Matthews

Vice-President, Assisted Housing

Pierre Serré

Vice-President, Insurance Product and
Business Development

Douglas Stewart

Vice-President, Policy and Planning

Gail Tolley

Vice-President, Human Resources

Charles Chenard

Executive Director, Corporate Marketing

Pierre David

Executive Director, CMHC International

Anne Dawson

Executive Director, Communications

Gilles Proulx

Executive Director, Risk Management and Investments

Serge Gaudet

Director, Audit and Evaluation Services

Douglas Tyler

General Counsel

Luc Fournier

Corporate Secretary

REGIONAL BUSINESS CENTRES

Carolyn Kavanagh

General Manager, Atlantic Business Centre

Sylvie Crispo

General Manager, Quebec Business Centre

Peter Friedmann

General Manager, Ontario Business Centre, and
Managing Director, Securitization

Trevor Gloyn

General Manager, Prairie and Territories Business Centre

Nelson Merizzi

General Manager, British Columbia Business Centre

MESSAGES

Message from the Chairperson

Message from the President

Message from the Chairperson



On behalf of the Board of Directors, I am pleased to present this report on our accomplishments for 2006. As a former employee, as someone who is heavily involved in the housing industry, and now as Chairman of the Board, I have seen CMHC from many perspectives. These perspectives have provided me with the opportunity to observe how CMHC affects the lives of Canadians in many different ways. I have noted CMHC's success in combining our expertise with new insights to respond to the diverse housing needs of Canadians. We work at multiple levels and with multiple partners to help ensure decent, affordable housing for Canadians. And, we carry out these functions responsibly within a solid corporate governance framework that guides our actions and ensures good stewardship of the public resources entrusted to us.



Dino Chiesa

CHAIRPERSON OF THE BOARD

Sound corporate governance is central to our ability to achieve our goals. In 2006, the Board worked to ensure its governance practices are consistent with the Treasury Board governance review. We already have in place the recommended actions in many areas or have taken actions in other areas to ensure that CMHC's governance regime meets or exceeds current best practices. We are proud of what we have accomplished so far and welcome the opportunity to further enhance our governance framework. Moving forward, we will work to maintain a strong governance system as we determine the best approach to increase the engagement of the Canadian public so that stakeholders will be able to express their views and seek information about the activities of the Corporation.

We strive to be effective as Directors and we regularly review our performance. In 2006, we used an external consultant to conduct an assessment of our performance. This evaluation provides us with a mechanism for the Board and the Chairperson to hold each other accountable. We look forward to receiving the final report in 2007 which will provide guidance on the implementation of improvements to existing practices.

We are proud of our role in promoting housing quality, affordability and choice for Canadians and our efforts to make a difference have been recognized. Last year, for example, our President was inducted into the Canadian Mortgage Hall of Fame in recognition of her outstanding service to the Canadian mortgage industry.

Our values and ethics have helped guide us as we serve Canadians from coast to coast to coast. By living these values, we are better able to attract talented employees in a competitive marketplace and strengthen stakeholder and community confidence in our ability to deliver results.

As Directors, we are dedicated to serving as stewards of Canada's national housing agency and will continue to provide the Corporation with strong leadership as we anticipate the opportunities arising from competitive, regulatory and other changes in our business.

I would like to thank Catherine Cronin, who completed her term in 2006, for her outstanding contribution to CMHC. I would also like to welcome Joel Teal to the Board. Joel brings us experience as a former CMHC employee and, for many years, as an executive in housing construction and in the development industry.

I believe that the achievements outlined in this report, along with our solid partnerships with a diversity of stakeholders, and the commitment and dedication of our employees have created an environment where we will be able to turn today's opportunities into tomorrow's successes.



Dino Chiesa
Chairperson of the Board

Message from the President



Housing means different things to different people across Canada. For some Canadians, housing represents the opportunity to build a better life for their families by providing a sound, suitable environment. For those who have purchased their homes, housing represents a major financial asset that provides the opportunity to build wealth. For others, housing also represents economic opportunity by creating jobs in construction, real estate, banking and other areas.

CMHC has played a central role in helping Canadians pursue these opportunities. Over the years, we have listened to Canadians and responded to their evolving needs. By being attentive to consumers and working with other housing stakeholders, the Corporation has been instrumental in helping to create and maintain one of the best housing systems in the world.



Karen Kinsley, CA

PRESIDENT AND CHIEF EXECUTIVE OFFICER

OUR SUCCESSES

In 2006, CMHC achieved solid results across all of our corporate objectives. The accomplishments outlined in this report build on our past achievements, and demonstrate our commitment to excellence and to serving the people of Canada in a responsible and transparent manner.

Help Canadians in need

We continue to work with our provincial and territorial partners and other stakeholders to develop more affordable housing options for low-income Canadians. In addition to the 630,000 households we helped through long-term social housing assistance, we worked with our partners to increase the affordable housing stock by some 6,000 units through the Affordable Housing Initiative.

In 2006, the federal government announced a two-year extension of our renovation and repair programs. This investment of \$256 million will help an estimated 38,000 households bring their homes up to standard or make modifications to them so they can live independently. We also provided project development and seed funding, and shared our expertise in financing and managing of affordable housing to help create almost 3,400 affordable housing units with little or no ongoing federal subsidy.

Aboriginal housing and capacity development remains a priority for CMHC. Thanks to a one-time budget allocation in 2005, almost 4,400 new non-profit units were committed on-reserve in 2006 – a 320-per-cent increase over 2005 – and some 2,400 households were assisted through our suite of on-reserve renovation programs. We worked to develop market-based solutions on-reserve and to promote greater reliance on the market. We helped increase private-sector lending with our mortgage insurance products. We believe we can do more to help create market solutions for those who can afford it, while maintaining support for those who cannot. Through these efforts, we can help more First Nations communities realize the economic benefits of housing that most other Canadians take for granted.

Facilitate access to more affordable, better quality housing for all Canadians

We are well aware of the increasing pace of change in the financial services sector. As Canada's national housing agency, with a focus on helping Canadians, CMHC is well prepared to play a leadership role in ensuring that Canadians continue to benefit from an innovative and competitive marketplace within a well-functioning housing finance system. In 2006, we helped make homeownership more affordable, by providing mortgage insurance on 100-per-cent financing, and by extending repayment periods to up to 40 years.

We also helped increase the supply of low-cost mortgage funds through our securitization programs. In 2006, we guaranteed a record level of more than \$36 billion in mortgage-related securities, as a result of strong demand for housing and the arrival of new entrants into the Canada Mortgage Bonds Program. Looking forward, we will continue to enhance our securitization programs to further increase the supply and variety of eligible mortgages and to offer funding solutions for smaller lenders, making it easier for them to compete in the marketplace.

The Corporation also plays a key role in helping housing markets work better by providing housing expertise and information to Canadians. Last year, more than 1.6 million copies of our information products reached individuals and organizations across the country. And more than 50,000 individuals attended presentations on a variety of topics from our market analysis and technical experts.

Ensure the Canadian housing system remains one of the best in the world

Through the EQuilibrium Healthy Housing Initiative, we will support the housing industry to design, build and demonstrate affordable, healthy and energy-efficient housing. Working closely with demonstration teams in 2007, we will be able to show how the impact of housing on the environment can be significantly reduced.

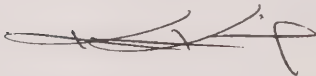
Internationally, we have been successful in creating jobs for Canadians by helping exporters develop their business in foreign markets. Last year, we helped modernize housing systems in developing countries as we expanded the scope of our consulting services. We also organized the 26th International Union of Housing Finance World Congress, bringing together global leaders on the topic of housing finance.

Recognizing that our people are our greatest resource, we continue to develop strategies to help our employees succeed in their chosen career path. In 2006, we adjusted our succession management practices to ensure that we continue to have the people with the necessary skills to effectively deliver our services to Canadians.

TOMORROW'S SUCCESSES

At CMHC we have always been motivated to contribute to the quality of life enjoyed by Canadians through a well-functioning housing system. The high standards we set for ourselves in serving Canadians have contributed to a housing system of which Canadians can be proud. As we reflect on our recent achievements, we are also looking for opportunities to better serve the needs of all Canadians in 2007 and beyond.

We recognize that we can do more to help people who may not have shared in the success of the Canadian housing system. We also know that our success is founded on being an organization that is well managed, accountable and responsible. We are proud of our accomplishments, but we know that we have not done it alone. Many of our partners are committed to solving the housing issues we currently face and we will continue to work with them to develop the solutions needed to ensure that all Canadians have an opportunity to find affordable, sound and suitable housing. By seeking out today's opportunities, we can ensure that all Canadians can share in tomorrow's successes.



Karen Kinsley, CA
President and Chief Executive Officer

CORPORATE GOVERNANCE

Good corporate governance is at the heart of all of CMHC's activities and successes. It has long been a hallmark of our way of doing business. And it is the principle that will guide us as we continue to build on our legacy of providing value to Canadians.

Corporate Governance

As Canada's national housing agency and one of Canada's largest financial institutions, we operate within a complex and rapidly evolving environment. With change, comes both challenge and opportunity. Our public policy mandate amplifies the challenges of governance within this environment.

It is good corporate governance that enables us to successfully tackle the challenges in our environment. And it is good governance that is the guiding principle behind our ability to achieve success and provide value to Canadians well into the future by realizing the opportunities that abound today.

That is why our Board of Directors and Management Committee continue to make investments in corporate governance, bringing a particular focus in 2006 on: 1) ensuring that the Corporation's approach to succession and talent management provides the right vision for managing human resources at CMHC over the coming years; 2) endorsing a newly-established review process which provides greater flexibility in adjusting our strategic priorities and resource allocation throughout the year to more effectively navigate the challenges and opportunities inherent in a dynamic and demanding environment; and 3) ensuring its governance regime continues to meet government expectations and best practices.



L to R

Louis Ranger, Harold Calla, Gary P. Mooney, Karen Kinsley, Alexander Werzberger, Dino Chiesa, Hugh Heron, Sophie Joncas, Joel Teal, Roberta Hayes.

THE BOARD OF DIRECTORS

CMHC currently reports to Parliament through the Minister of Human Resources and Social Development, and is governed by a Board of Directors that is accountable to the Minister.

CMHC's Board of Directors is comprised of the Chairperson, the President and Chief Executive Officer and eight other members appointed by the Minister with Governor-in-Council approval. CMHC's directors are a diverse group of individuals with significant accomplishments in business, government, and not-for-profit activities related to housing.

With the exception of the President and CEO, all CMHC directors are independent of management and are free from any interest and any business or other relationships which could or would reasonably be perceived to materially interfere with the director's ability to act in the best interests of the Corporation and its shareholder, the Government of Canada.

The Board of Directors is responsible for the corporate governance of CMHC. In doing so, it must act honestly, in good faith, and in the best interests of CMHC. The Board has established four committees to assist it in exercising its responsibilities: the Corporate Governance Committee, the Audit Committee, the Human Resources Committee and the Nominating Committee. The President and CEO and one additional Board member also serve as trustees of the CMHC pension fund. The Board establishes and approves the structure, composition and terms of reference for each of the committees. These are reviewed regularly and updated as required.

2006 Committee Membership

Governance Committee	Dino Chiesa (Chair), Sophie Joncas, Karen Kinsley and Alexander Werzberger
Audit Committee	Sophie Joncas (Chair), Catherine Cronin and Gary P. Mooney
Human Resources Committee	Hugh Heron (Chair), Roberta Hayes, Harold Calla and Louis Ranger
Nominating Committee	Dino Chiesa (Chair), Hugh Heron, and Roberta Hayes

The Board of Directors is responsible for managing the affairs of the Corporation and the conduct of its business in accordance with the *CMHC Act*, the *Financial Administration Act* and the governing by-laws. As stewards of the Corporation, the Board sets the strategic direction of CMHC, ensures the integrity and adequacy of the Corporation's information systems and management practices, periodically examines

the continued relevance of the Corporation's public policy objectives and legislated mandates, ensures the main corporate risks are managed, evaluates the Corporation's performance, and monitors the Corporation's financial results.

Successes in corporate governance are linked to the degree directors understand their roles and responsibilities as corporate stewards. To this end, the Board ensures an appropriate allocation of responsibilities between the Board and management. The Board also reviews CMHC's governance policies and structures to ensure they remain responsive to the circumstances and needs of the Corporation. This involves ensuring they continue to reflect applicable legislation, guidance on matters of governance specific to Crown corporations, and recognized "best practices."

Board Renewal

To achieve its objectives and carry out its mandate, CMHC's Board of Directors must reflect the types of clients CMHC serves, and to the extent possible, represent Canadian society as a whole. As part of its succession planning, the Board and its Nominating Committee, strive for a proper balance of key criteria, including: previous experience and service on boards; gender; language; ethnicity; geographical representation; and understanding of housing needs.

CMHC's recent experience with Board renewal demonstrates the importance the Board places on ensuring respect for transparency, accountability and the role of Parliament in the appointment process. In 2005, following the Board's approval of selection criteria for the position of Chairperson as recommended by the Nominating Committee, CMHC was one of the first Crown corporations to have its candidate successfully appointed following a new process that included the hiring of an executive search firm and the candidate's appearance before a Standing Committee of the House of Commons. Relying on its Board competency profile, the Board regularly provides advice to the Minister's office on upcoming vacancies, skills gaps and the need to ensure an appropriate staggering of expiry dates.

Appointments to CMHC's Board follow the Governor-in-Council appointment process and procedures. Effective January 2007, Board appointments are made for a four-year term. This was changed from a three-year term in accordance with the recent passage of the *Federal Accountability Act*. Open and constant communication between CMHC and its responsible Minister is a key component of the Board's ability to ensure the Corporation benefits from a competent Board of Directors. In 2006, CMHC welcomed one new member to the Board of Directors.

In 2007, the Nominating Committee will be updating the Board's competency profile as well as the selection criteria for the Corporation's President and CEO.

Orientation and Ongoing Education of Board Members

CMHC provides two days of orientation to new directors, followed by periodic briefings, as warranted. In addition, directors are kept informed of CMHC's operations at meetings of the Board and its Committees, and through reports and analyses by, and discussions with, management. To ensure that directors maintain the skills and knowledge necessary for them to meet their obligations, all Board members are encouraged to attend governance sessions organized by the Canada School of Public Service and the Privy Council Office. In addition, Audit Committee members regularly attend training sessions hosted by the Canadian Institute of Chartered Accountants.

Board Assessment Process

In order to assess its effectiveness and initiate renewal, the Board conducts an annual review of its performance and discusses what steps may be necessary or desirable to improve its effectiveness.

In 2006, led by the Corporate Governance Committee, the Board retained the services of an external consultant to assist it in updating its self-assessment process and to assist the Board in conducting an assessment of its performance through the year. CMHC's Board believes that performance evaluations provide a mechanism for the Board and the Chairperson to hold each other accountable. Based on sound evaluation criteria and administered by independent experts, the 2006 performance evaluation was designed to probe for best practices in leadership and governance. Preliminary performance indicators from the evaluation indicate that CMHC enjoys strong corporate governance and board functioning, particularly in the areas of board-management functioning, board and management skills and leadership, and financial performance setting, oversight and accountability. The Board looks forward to receiving the final report which will provide guidance on the implementation of improvements to existing practices.

GOVERNANCE IN PRACTICE

The nature of CMHC's activities makes its governance more complex, but still subject to the same expectations of efficiency, accountability and transparency that Canadians hold for their public agencies. As a Crown corporation, CMHC seeks high customer satisfaction and reasonable returns while meeting the rigour of public accountability. As a result, the Board of Directors evaluates CMHC's performance based on the principle that its fundamental purpose is the creation of value for Canadians. Reaching this goal rests on the achievement of public policy objectives, solid financial results, efficient processes, and a healthy organization able to achieve success by being open to changes and new opportunities that will benefit Canadians.

Strategic Planning

Establishing the strategic direction for the Corporation is the foundation in fulfilling the Board's governance responsibilities. The Board of Directors and CMHC management work together to build a view of the future of the Corporation, to focus efforts on priorities that deliver on the mission, vision and values of CMHC, and to foster the conditions for innovation and renewal.

As in past years, the Board of Directors provided direction to the Corporation at the outset of the 2006 planning cycle. The Board's input into the process reflected the direction provided by the Minister in support of the Government of Canada's current priorities. In particular, that guidance focused on preparing the Corporation to meet new challenges in the mortgage insurance business. This is being accomplished through short-term positioning and work on longer-term policy directions in housing finance.

With the support of the Board, CMHC introduced changes to the planning process by launching a quarterly review of priorities and resources that will maximize the Corporation's flexibility and ability to successfully manage change. Through this comprehensive, formal review, the Board is now better able to review its current direction, and management can make adjustments in priorities and resources where circumstances warrant.

Risk Management

Enterprise risk management is a shared responsibility amongst the Board of Directors, management and operational units, who each play a role in ensuring that appropriate risk and performance management, governance, structure, processes, measures, controls and limits are in place. The Audit Committee approves appropriate policies and risk limits and advises the Board on emerging risks and opportunities and their impact on strategic directions. The Board then ensures appropriate action is taken with regards to all identified risks and opportunities.

In 2006, in addition to exploring long-term housing finance policy directions, the Board also reviewed CMHC's progress in implementing succession management plans to reduce potential impacts on operations arising from the loss of critical employees.

Internal Control and Financial Reporting

The Board of Directors, with the help of the Audit Committee, works with CMHC's internal auditors to ensure the integrity of the Corporation's internal control framework and management of information systems. The Board ensures that the Corporation's reporting on activities and performance is effective and that the information is reliable, relevant, balanced and complete. Management regularly reports on performance and risk management to the Audit Committee through its Quarterly Financial and Risk Management Report.

In keeping with Government of Canada guidelines, CMHC's Audit Committee members are financially literate: two members hold accounting designations and the third member possesses expertise in financial management.

In 2006, the Audit Committee closely examined all current and potential implications of new and proposed accounting guidelines and industry practices to ensure continued fair presentation of CMHC's financial information. Management's responsibility for financial information contained in this annual report is outlined on page 74. In addition, the Board of Directors has reviewed and approved this annual report prior to its release.

The Corporation's internal auditors report functionally to the Audit Committee and meet with the Audit Committee on a regular basis without management being present. In an effort to improve on existing practices, CMHC's internal auditors embarked on a quality assessment review of the internal audit and evaluation services. The Audit Committee reviewed the results of the exercise and the action plan. The Committee also oversaw a review of the internal audit activity charter and approved an update to internal audit performance measures.

In other areas, CMHC's compliance office completed mapping of core processes in all treasury-related activities in order to identify compliance gaps and ensure appropriate actions were taken where necessary. Due to the significant growth of the CMHC investment portfolios in recent years, personal trading guidelines were also established in 2006 and information sessions were conducted with impacted staff through the year. Finally, the Audit Committee updated the Board of Director's travel and hospitality policy to ensure it continues to meet Canadians' expectations of their public office holders.

Organizational Effectiveness

The Board supports the notion that values and ethics play a crucial role in modern business management. Through its Human Resources Committee, in 2004, the Board led a corporate-wide ethics awareness exercise involving the development of a variety of case studies applicable to CMHC's environment. This was followed by the delivery of awareness sessions to employees across the Corporation.

In 2006, initiatives to continue to strengthen employees understanding of CMHC's values included communication of additional case studies to employees, ethics awareness sessions for new employees and Conflict Resolution Workshops for managers and employees.

The Board and its Human Resources Committee are proud to say that, overall, this initiative has been a success. Supervisors, managers and directors are encouraged to keep the dialogue alive to ensure open discussion and resolution of issues.

In 2006, the Human Resources Committee reviewed and recommended a number of other items to the Board for approval. Management provided Committee members with a progress report on CMHC's succession management initiative, and the Committee also reviewed and endorsed CMHC's vision for talent management.

Communication with Stakeholders

In 2006, CMHC's 60th anniversary was marked with numerous events across the country, providing the Board with opportunities to communicate with CMHC's stakeholders. Two of the regularly scheduled Board meetings were held in different locations across the country to allow the Board to meet and communicate directly with CMHC's employees, clients, partners and stakeholders, and to become better acquainted with regional issues.

In the spring of 2006, the Board convened in Quebec City where it met with a wide range of CMHC stakeholders and learn more about their priorities. In the summer, the Board traveled to Saint John, New Brunswick to gain a better understanding of CMHC's business in the region. They were also able to get a first-hand look at how CMHC is working with community groups, non-profit organizations and industry to build strong and vital communities.

Crown Corporation Governance

CMHC continually introduces initiatives related to strategic planning, risk management and other aspects of corporate accountability that demonstrate its ongoing commitment to ensuring its governance framework remains strong and relevant.

Following a 2004 review of the Board committees' terms of reference and structure by an outside consultant, the Board undertook an in-depth review of its practices to address some of the improvements highlighted in the report. Committee terms of reference were significantly updated and a number of responsibilities were reassigned. This exercise allowed directors to better understand their role as committee members and allowed committees to better focus their time and energy.

In February 2004, Treasury Board undertook a comprehensive review of the governance and accountability framework for Crown corporations. CMHC and its Board of Directors were actively engaged in the review process. Subsequently, regular reporting to the Board has ensured that CMHC has addressed the majority of the measures proposed in the final report. CMHC will continue to monitor those measures that still require input and guidance from the government.

Early in 2007, the Board approved its new Board director profile and updated the terms of reference for the Board and its committees. In an effort to enhance its openness, the Board has decided to post this information on the corporate website. CMHC will become one of the first Crown corporations to provide this type of information online.

CMHC and its Board of Directors will continue to participate in the review of Crown governance, and take all necessary actions to ensure that its governance regime meets best practice. This includes ensuring that its governance policies and practices are aligned with the new *Federal Accountability Act*.

The CMHC Pension Fund

Established by the Board of Directors, the CMHC pension fund is managed and administered by trustees pursuant to the Trust Agreement. The Trustees are responsible for setting investment objectives and policies, selecting external investment managers, and monitoring the investment results of the pension fund.

In 2006, CMHC's pension governance structure and practices were reviewed. A final report was provided to the Trustees, the Corporate Governance Committee, and the Board of Directors. It was concluded that, overall, CMHC's pension governance structure and practices meet or exceed the expectations of governance guidelines established by the Canadian Association of Pension Supervisory Authorities. CMHC is operating with many best practices such as regular meetings of trustees, orientation sessions for new trustees, clearly articulated policies, goals, and guidelines, and annual reviews of the financial status of the pension plan by CMHC's management.

Directors total compensation and attendance at meetings of the Board and of Board Committees in 2006

Board Member	Total Compensation (fees and retainer \$) ¹	Board of Directors (six meetings)	Audit Committee (five meetings)	Governance Committee (three meetings)	Human Resources Committee (three meetings)	Pension Fund Trustees (three meetings)
Dino Chiesa	52,595	6/6		3/3		
Karen Kinsley ^{2,3}		6/6		2/2		3/3
Harold Calla	30,700	6/6			3/3	
Roberta Hayes	31,200	6/6			3/3	
Hugh Heron	28,200	6/6			3/3	
Sophie Joncas	33,200	6/6	5/5	2/3		
Gary P. Mooney ⁴	18,700	4/6	3/5			
Louis Ranger ²		1/6			2/3	
Joel Teal ⁵	3,213	1/1				
Alexander Werzberger	23,200	6/6		3/3		
Catherine Cronin ⁶	31,987	5/5	4/4			2/2

N.B., the Nominating Committee did not meet in 2006

Compensation levels are established by the federal government through an Order-in-Council. The Privy Council Office issues guidelines that set out the form, amounts and conditions of payment for the part time services of persons appointed to office by the Governor-in-Council. The Chairperson of the Board is responsible for approving payment of Directors' fees.

² Members of the Public Service are not paid for their service.

³ Became a member of the Corporate Governance Committee in March 2006.

⁴ Absent due to illness.

⁵ Appointed 31 October 2006.

⁶ Term ended 30 October 2006.

BOARD OF DIRECTORS

(as at 31 December 2006)

Dino Chiesa

Chairperson of the Board

Dino Chiesa is Vice-Chair of the Board of Trustees of the Canadian Apartment Properties Real Estate Investment Trust (CAP REIT). Prior to this, he was Chief Executive Officer of the Residential Real Estate Income Trust (RES REIT), Assistant Deputy Minister of Ontario's Ministry of Municipal Affairs and Housing, and CEO of the Ontario Housing Corporation and Ontario Mortgage Corporation. Mr. Chiesa has been a member of the Board since June 2001 and was appointed Chairperson of the Board of Directors in March 2005.

Karen Kinsley, CA

President and Chief Executive Officer

Karen Kinsley joined CMHC in 1987, holding a variety of positions in senior management. She was appointed President and Chief Executive Officer in June 2003.

Harold Calla, CGA, CAFM

North Vancouver, British Columbia

Harold Calla is Chair of the First Nations Financial Management Board. He also holds a number of positions with the Squamish Nation, including surveyor of taxes, senior negotiator for economic development and bilateral accommodation negotiations with the province of British Columbia. He was appointed to CMHC's Board of Directors in June 2005.

Roberta Hayes

Moncton, New Brunswick

Roberta Hayes is co-owner and manager of HomeLife Hayes Realty. Ms. Hayes was formerly the President and a director of the Greater Moncton Real Estate Board, as well as a director of both the New Brunswick Real Estate Association and the Canadian Real Estate Association. She was appointed to CMHC's Board of Directors in October 2003.

Hugh Heron

Schomberg, Ontario

Hugh Heron is Principal and Partner of the Heron Group of Companies, a real estate brokerage.

Mr. Heron is a past president of both the Toronto Home Builders' Association and the Ontario Home Builders' Association. He was appointed to CMHC's Board of Directors in June 2001.

Sophie Joncas, CA

Longueuil, Québec

Sophie Joncas is a chartered accountant in private practice. She is a member of the continuing education committee of the Ordre des comptables agréés du Québec (OCAQ). She has also developed and taught courses on governance and on the role of the audit committee for the OCAQ. She is chair of the Association des gens d'affaires de Saint-Hubert. She was appointed to CMHC's Board of Directors in August 2001.

Gary P. Mooney

Mississauga, Ontario

Gary P. Mooney is President and Chief Executive Officer of Fidelity National Financial, a Mississauga-based title insurance company. He is also a senior partner with the law firm Anderson Sinclair. He was appointed to CMHC's Board of Directors in June 2005.

Louis Ranger

Gatineau, Québec

Louis Ranger is Deputy Minister of Transport Canada and Deputy Head of Infrastructure Canada – Infrastructure and Communities. He was appointed to CMHC's Board of Directors in September 2002.

Joel Teal

Saskatoon, Saskatchewan

Joel Teal is currently President, Dundee Development/Homes by Dundee and is Chair of the Board of Directors of the Saskatchewan Blue Cross. He was appointed to CMHC's Board of Directors in October 2006.

Alexander Werzberger

Montréal, Québec

Alexander Werzberger is currently the President of Traklin Groups. Mr. Werzberger has served on the board of directors of various organizations, including L'Association provinciale des constructeurs d'habitations du Québec and L'Association de la construction du Québec. He was appointed to the Board of Directors in April 2005.

Living our Corporate Values

At CMHC, we know that being an accountable organization means being proud not only of what we do, but also of how we do it. It means staying true to our convictions, knowing that the way we do business helps us attract and retain the talent we need to be successful and strengthen stakeholder confidence in our ability to deliver results. This sense of workplace integrity has a strong tradition at CMHC and is deeply rooted in the corporate mission and values that help guide us in our business. We have long known that the way we do our business today can lead to a successful tomorrow.

BUILDING A WORKPLACE COMMUNITY

We are working hard to create the right organizational environment for our employees. What is that environment? It's one where our employees are engaged, where they feel safe in expressing their opinions and proud of their individual and collective contributions to our corporate performance.

Engaging our employees

Establishing effective management practices is critical to ensuring an engaged and committed workforce. CMHC's human resources policies are considered best practices. Recognizing that our employees are the cornerstone of our commitment to governance, our governance framework includes employee standards of conduct, a values and ethics program, as well as a process for employees to bring forward information concerning wrongdoing in the workplace.

To help employees balance their commitments at home and at work, CMHC offers a variety of alternate work arrangements and attractive benefits, including family-related leave and maternity or parental benefits. CMHC also maintains an employee relations office dedicated to promoting a healthy environment by helping employees, managers and human resources professionals build and maintain strong relationships. When dealing with difficult personal or professional situations, our employees and their families also have access to a voluntary, short-term confidential counseling service to assist them in finding the help they need.

Through these and other policies and programs, we're building a workplace community – a community reflecting the value of every person, mutual respect and honesty. CMHC has a well-established *President's Advisory Council* which plays a key role in strengthening this sense of community. The Council provides an opportunity for employees to share their concerns, suggestions and recommendations with CMHC's President and for the President to engage in a frank discussion with elected employee representatives from across the Corporation.

In 2006, CMHC engaged an external consultant to undertake a review of its management practices. Approximately 45 employees participated in interviews, lasting between one and two

hours, to explore a variety of themes, including resource allocation, decision-making and communication. Through issue-focused employee consultations such as these, CMHC is able to assess the effectiveness of its management practices and identify areas for improvement that are most important to employees. As a result of this latest consultation, for example, CMHC is working towards establishing a decision-making framework that clearly identifies the owner of a particular issue, and offers the right consultation forum. In so doing, we are making certain that our employees are actively consulted and represented in decision-making.

As a testament to the success of our ongoing efforts to ensure an engaged workforce, CMHC's resignation rate among regular staff, at 3.5 per cent, is below comparable types of employers such as financial services industries (7.7 per cent) and the government sector (5.1 per cent).

Building a diverse workforce

CMHC prides itself in building a representative workforce. By fostering diversity, we are better equipped to build stronger relationships with a range of communities, enhance our creativity and effectiveness as an organization, and expand our business opportunities at home and abroad.

Employee Profile	CMHC 2006	Canadian Labour Market ¹
Women (%)	59.5	48.4
Visible Minorities (%)	12.3	12.6
Persons with Disabilities (%)	4.2	5.3
Aboriginal Persons (%)	2.5	2.6

Based on latest available Census data (2001)

CMHC has consistently received top marks in the Government of Canada's annual report on employment equity. In the latest report published in 2005, CMHC received its first set of straight 'A's for attracting, developing and retaining women, Aboriginal peoples, persons with disabilities and visible minorities. This rating places CMHC among the top four federally-regulated private-sector employers and Crown corporations. As we continue our efforts to build a representative workforce, we will work on expanding our relationships with diverse communities as a means to enhancing our visibility as an employer.

Giving back to our communities

CMHC employees support charitable organizations such as the Government of Canada Workplace Charitable campaign for the United Way. In 2006, CMHC employees and retirees raised more than \$275,000 for use within our communities. In 2006, CMHC also hosted a series of gingerbread- and birdhouse-building charitable events across the country. We raised close to \$41,000 for a variety of charitable organizations, including Habitat for Humanity.

SERVING THE PUBLIC INTEREST

We are strongly committed to bringing about results that benefit Canadians and our communities. Our ability to add value to Canada, however, goes beyond our mandate to deliver programs and create policies for the benefit of Canadians. Living our values means, for us, a commitment to serving the public interest in ways that show respect for human dignity and the value of every person.

Serving our clients

CMHC is committed to serving all its clients in a competent, fair and timely fashion. In 2006, CMHC received a Government of Canada Award of Excellence for contribution to Treasury Board's Service Improvement Initiative over the 2000-2005 period. The initiative had, as one of its objectives, the achievement of a 10 per cent improvement in client satisfaction with federal public services. Over this period, client satisfaction in financial services, which included CMHC, improved over the baseline by 17 per cent, well in excess of the target.

Recent immigrants to Canada often require specialized services to help them access suitable housing. Given Canada's rising immigration rates and the Toronto area's burgeoning multicultural population, CMHC recently implemented a wide-ranging multicultural communications strategy in that city. Key CMHC information products are distributed in six languages (Chinese, Russian, Spanish, Tagalog, Arabic and Urdu), in addition to English and French, to targeted organizations in Toronto that serve new Canadians. CMHC's culturally diverse staff is often able to offer assistance to new Canadians who want housing information in their first language.

Sustaining our commitment to official languages and linguistic minority communities

As a federal Crown corporation, CMHC embraces the spirit and intent of Canada's commitment to official languages. In recent years, the Corporation has made significant progress in a number of areas, notably in developing and maintaining the linguistic capacities of its employees, with 90 per cent of employees in bilingual positions meeting the language requirements of their position in 2006. During the year, the Corporation

also continued its support for the development of English and French linguistic minority communities through a broad range of activities, including media and association relations, program promotion and business development.

ACHIEVING BUSINESS EXCELLENCE

Attaining the confidence of those we serve and the best possible results for the Canadian public requires us to exercise the highest standards of competence, trustworthiness and prudence in conducting our business relationships and in managing the financial, physical and human resources entrusted to our care.

Investing in the growth and development of our employees

CMHC employees have access to excellent learning and development opportunities. In 2006, one in five employees was involved in a temporary developmental assignment, lateral transfer or promotion. Furthermore, at 2.7 per cent of payroll or \$2,092 per employee, CMHC's learning investments exceed the average investment in the financial services sector and are in the top 10 per cent of Canadian firms.

Managing the physical resources entrusted to our care

As of June 2006, CMHC falls under the requirements of the *Canadian Environmental Assessment Act*. This legislation requires an environmental assessment of a proposed project where a responsible authority (federal department) is either the proponent or transfers land, provides funding or issues a permit or authorization. We are currently assessing each of our programs for the potential impacts of this requirement. Policies and procedures for some business lines have already been adapted to meet the Corporation's obligations under the Act.

CMHC continues to work with its partners to reclaim and return brownfields – abandoned, idle or underused sites once occupied by industrial or commercial facilities – to productive use. With an estimated 30,000 brownfield sites across the country, these efforts have considerable potential to positively impact the environment. In 2006, we continued our research on the barriers to brownfield redevelopment. We also introduced mortgage insurance flexibilities, and initiated a risk-sharing framework in the communities of Orillia, Ontario and Sydney, Nova Scotia. This last initiative is intended to help mitigate environmental risks associated with brownfield properties.

We also manage our direct impact on the environment. CMHC regularly uses recycled paper, works towards reducing paper consumption, and has introduced various recycling initiatives for construction debris, food packaging, batteries, office consumables and used office equipment.

MAXIMIZING TODAY'S OPPORTUNITIES

Analysis of Our Performance in 2006



Being a strong organization is about making the most of today's opportunities. It's about using our experience as we respond to change and rise to new challenges – knowing when to stay the course and when to find new approaches to improving the lives of Canadians through affordable, quality, and environmentally-sustainable housing. Ultimately, it's about preparing for a successful tomorrow, today, and continuing to create vibrant and healthy communities across Canada.

PUBLIC POLICY OBJECTIVES

Our goal is to contribute to Canadian society by helping those who are most in need, by improving the affordability and quality of housing, and by ensuring that the Canadian housing system continues to be among the best in the world. Our public policy objectives, and the priority areas under each objective, are outlined below. It is against these priorities that we measure our performance.

Objective One

HELP CANADIANS IN NEED

- 1.1 Help Canadians in need to access affordable, sound and suitable housing
- 1.2 Improve living conditions for Aboriginal Canadians

Objective Two

FACILITATE ACCESS TO MORE AFFORDABLE, BETTER QUALITY HOUSING FOR ALL CANADIANS

- 2.1 Ensure Canadians have access to mortgage insurance products and tools that meet their needs
- 2.2 Enhance the supply of low-cost funds for mortgage lending by expanding the securitization program
- 2.3 Provide comprehensive, timely and relevant information to enable Canadian consumers and the housing sector to make informed decisions

Objective Three

ENSURE THE CANADIAN HOUSING SYSTEM REMAINS ONE OF THE BEST IN THE WORLD

- 3.1 Ensure Canada's housing system remains one of the best in the world
- 3.2 Support and promote Canada's world-class housing products, services and system internationally
- 3.3 Ensure CMHC remains a strong organization able to fulfill its mandate



OBJECTIVE

HELP CANADIANS IN NEED

For 60 years, we have been helping to provide a place to call home to millions of low-income families across the country. We have also been striving to close the housing gap faced by many Aboriginal Canadians. We are proud of our programs and policies that have helped Canadians access affordable, sound and suitable housing, and we will continue to help all Canadians share in these benefits.

RESOURCES

\$56 million in operating expenses

386 staff years

Objective 1.1

HELP CANADIANS IN NEED TO
ACCESS AFFORDABLE, SOUND,
AND SUITABLE HOUSING

What We Do

With our public and private partners, we help low- or modest-income Canadians obtain affordable, sound and suitable housing.

Why It Matters

Affordable, sound and suitable housing is essential to individual and community health and well-being.

How We Do It

On behalf of the federal government, we provide:

- 1) On-going financial assistance for existing social housing.
- 2) Funding to the provinces and territories to increase the supply of affordable housing.
- 3) Funding for renovations to preserve the stock of low-income housing.

We provide low-cost loans directly to social housing providers.

We provide technical and financial support that leads to the development of affordable housing projects with no ongoing federal assistance.

We increase understanding of the distinct housing needs of those segments of the population who are at greater risk of housing need.



CMHC Toolbox

WE DRAW ON THE FOLLOWING TOOLS TO
ACHIEVE THIS STRATEGIC PRIORITY:

Affordable Housing Initiative

Flexible options for provinces and territories, including:

- New rental housing
- Home purchase
- Homeownership preservation
- Rental preservation
- Rent supplements
- Flexible mortgage loan insurance

Renovation Programs

- Residential Rehabilitation Assistance Program
- Emergency Repair Program
- Home Adaptations for Seniors Independence
- Shelter Enhancement Program

Public-Private Partnerships

- Seed funding
- Proposal development funding
- Advice and skills development
- Flexible mortgage loan insurance:
 - Insurance premium discounts
 - Financing up to 95-per-cent of loan to lending value

Housing Subsidies Under Long-Term Commitments

- Public housing
- Non-profit housing
- Rent supplements
- Co-operative housing

Direct Lending

Research Products on Distinct Housing Needs, Including:

- Newcomers Guide to Canadian Housing
- Maintaining Seniors' Independence Through Home Adaptations: A Self-Assessment Guide

For additional information on CMHC's programs and services, visit our website, www.cmhc.ca

To ensure that all Canadians enjoy the benefits of a well-housed nation, we help those who are unable to afford sound, suitable housing on their own. We work with our government partners and other housing stakeholders to address these needs and make a difference.

What factors influenced our performance in 2006?

One in seven Canadian households cannot access housing that is affordable, sound and suitable

Overall, Canada has made progress in addressing housing need — 82,000 fewer households were in core housing need in 2001 compared to 1996. More than three-quarters of the almost 1.5 million households were in need because their housing was unaffordable, consuming more than 30 per cent of their income. Recent immigrants, lone-parents, seniors and Aboriginal households are more likely to be in core housing need than other Canadians. They are also the fastest growing segments of the Canadian population.

	All Households	Households in Core Housing Need
Household Count	10,805,600	1,485,300
Overall Incidence of Need (% of households)*	—	13.7
Average Annual Household Income (\$)	60,976	17,439
Average Monthly Shelter Cost (\$)	764	643
Average Shelter Cost to Income Ratio (%)	21.3	48

NB: Based on 2001 Census data. 2006 Census data on shelter costs will be available in May 2008. *excludes on-reserve

Rising demand kept rental vacancy rates low in 2006

Solid job creation and income gains, combined with high levels of immigration and rising homeownership costs, led to increased demand for rental housing during the year. These factors put downward pressure on rental vacancy rates, which averaged 2.6 per cent in Canada's major centres in October 2006 compared to 2.7 per cent in 2005. The average rent for two-bedroom apartments across Canada's 28 major centres increased by 3.2 per cent between October 2005 and October 2006.

Canada's low-income housing stock is in need of repair

In 2001, approximately 15 per cent of core-need households lived in homes requiring major repair. Each year, as this housing stock ages, the number of homes in need of major repair is expected to increase by about 22,000 units.

Additional federal resources are being committed to affordable housing

The federal government announced \$1.4 billion in funding for affordable housing, distributed among the provinces and territories in the form of housing trusts. This one-time ment includes an affordable housing trust of \$800 million, a Northern housing trust of \$300 million, and a trust for off-reserve Aboriginal housing of \$300 million.

Analysis of our performance

We worked with our provincial and territorial partners to help improve the living conditions of Canadians in need of housing

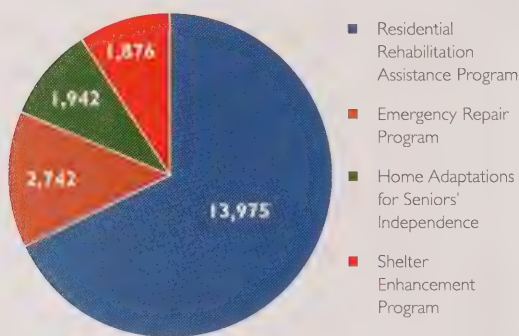
As a result of many years of delivering social housing through CMHC, Canada's existing stock of federally-supported social housing helps over 630,000 lower-income Canadian households each year. Much of the funding CMHC receives for this housing is now administered by the provinces and territories. These arrangements recognize that the provinces and territories have primary responsibility for low-income housing.

CMHC also has agreements in place with all provincial and territorial governments to deliver and cost-share the Affordable Housing Initiative. The federal government, through CMHC, is investing \$1 billion to increase the supply of affordable housing in Canada. Provinces and territories are responsible for designing and delivering their programs funded under this initiative and, in conjunction with others, are investing a further \$1 billion.

Corporate Performance Measures	2005 Results	2006 Target	2006 Results	2007 Target
Affordable Housing Initiative expenditures (\$ millions)	175	159	167.3	82
<ul style="list-style-type: none"> ■ Target met or exceeded ■ Target substantially met ■ Target not met 				

Expenditures under the Affordable Housing Initiative in 2006 were \$167.5 million, exceeding the target of \$159 million. Since the Initiative was announced in 2001, close to \$700 million in support of 31,000 units, has been committed across Canada.

CMHC Renovation Programs Helped more than 20,500 Households in 2006



Source: CMHC

We helped maintain the stock of low-income housing

CMHC's renovation programs help low-income households, persons with disabilities and Aboriginal people bring their homes up to minimum health and safety standards, repair shelters for victims of family violence, and support home adaptations for low-income seniors so they can live independently. In 2006, we provided \$155 million to assist more than 20,500 households under the renovation programs on- and off-reserve. Since their inception more than 30 years ago, CMHC's suite of renovation programs has assisted over 750,000 lower-income households. In December 2006, the Government of Canada announced a two-year, \$256 million extension of funding for the programs. The extension will help improve the living conditions for some 38,000 low-income households. During 2007, CMHC will be working with the provinces and territories to extend existing arrangements for the delivery of the programs.

OUR STRENGTHS

- Pre-eminent research program leading to an in-depth understanding of the housing needs of a diverse population.
- Well-established relationships with federal, provincial and municipal governments and their housing stakeholders.
- Depth of housing knowledge and expertise combined with a history of effectively delivering diverse housing.
- Wealth of information on innovative approaches and best practices across the country that can facilitate the development of affordable housing.

OUR CHALLENGES

- Creating lasting solutions to reducing core housing need.
- Managing Canada's aging social housing stock.
- Continuing to effectively and efficiently manage the delivery and administration of housing programs.

TODAY'S OPPORTUNITIES

- Implementing an enhanced strategy to aid in the development and maintenance of relationships with housing proponents.
- Stimulating private-sector investment in affordable housing.

Corporate Performance Measures	2005 Results	2006 Target	2006 Results	2007 Target
Renovation Programs: Units	21,990	19,054	20,511	N/A
<ul style="list-style-type: none"> ■ Target met or exceeded ■ Target substantially met ■ Target not met 				

1 The target for the renovation programs in units was revised from 5,378 units in the 2006-2010 Corporate Plan to 19,054 units as a result of the announcement of an extension of the renovation programs by one year. The 2006 Corporate Plan amendment was tabled on July 19, 2006.

2 Beginning 2007, CMHC has adopted a new measure (\$ committed) to better capture the Corporation's performance with regards to its renovation programs. The 2007 target for this measure is \$22.6M.

We helped communities sponsor their own affordable housing projects

CMHC's Partnership Centre is a network of housing experts across the country available to help housing proponents through the project development process. Since its inception in 1991, 43,000 affordable housing units have been facilitated by the Centre. In 2006, the promotion of our tools and insurance flexibilities resulted in more than 3,400 affordable homes created across the country, exceeding our target by more than 100 per cent. Mortgage insurance at reduced premiums was used on more than 40 per cent of these units, making it that much easier for community-based housing proponents to bring more affordable housing to their communities.

Building on the services and tools offered by the Partnership Centre, free web forums were introduced in 2006, allowing participants from any location to see and hear on-line presentations on a variety of housing development topics. Eight web forums were presented in 2006, attracting a wide range of participants from the non-profit and private sectors, as well as municipalities, across Canada.

Our Direct Lending activities also help lower the cost to government. In 2006, we continued to provide loans directly to social housing sponsors on- and off-reserve. As a federal Crown corporation, we can obtain funds through bond issues and commercial paper on capital markets at lower interest rates. In 2006, we offered new loans totalling \$385 million and renewed loans worth \$1.9 billion.

Through our partnerships and lending activities, we are providing the tools, knowledge and resources to assist social housing providers and other affordable housing proponents in making a difference in the lives of those Canadians who are most in need of housing. CMHC will continue to create opportunities to bring innovative housing solutions to Canadians.

Corporate Performance Measures	2005 Results	2006 Target	2006 Results	2007 Target
Public-Private Partnerships facilitated (Units)	2,378	1,470	3,422	2,000
Mortgage Insurance Approvals of Public-Private Partnerships (Units)	1,640	1,250	1,455	1,000

■ Target met or exceeded
■ Target substantially met
■ Target not met

2007 Plans and Priorities

Working with others to improve access to affordable, sound and suitable housing

CMHC will use its existing tools as well as its depth and breadth of expertise to work with its network of government, industry and non-profit stakeholders to identify, develop and share innovative approaches to increase the supply of affordable, sound and suitable housing for those Canadians in need.

Key priorities for 2007 include:

- Examining our current operations to ensure we are using the full range of the Corporation's products and services to promote and encourage innovative approaches to the development of affordable housing
- Exploring options to support the regeneration and revitalization of major public and social housing projects
- Researching improved housing options for seniors, persons with disabilities and low-income Canadians.

Objective 1.2

IMPROVE ABORIGINAL LIVING CONDITIONS

What We Do

We work with First Nations communities and Aboriginal organizations to find solutions to Aboriginal housing issues, both on- and off-reserve.

Why It Matters

Affordable, sound and suitable housing is essential to individual and community health and well-being.

For the Aboriginal population, housing needs are urgent. There is a significant gap between the living conditions of Aboriginal and other Canadians.

How We Do It

We provide funding and work in partnership with First Nations, Indian and Northern Affairs Canada and others on housing assistance programs for the construction of new housing and renovation of existing housing.

We encourage market-based solutions in a manner that respects the underlying communal ownership of Aboriginal land.

We share our housing knowledge and expertise to increase First Nations capacity to design, build, renovate and maintain its housing stock.

We support the development of markets and institutions that increasingly permit Aboriginal peoples to direct and control their own housing.



CMHC Toolbox

WE DRAW ON THE FOLLOWING TOOLS TO ACHIEVE THIS STRATEGIC PRIORITY:

Social Housing

- On-Reserve Non-Profit Rental Housing

Capacity Development

- Housing Quality Initiative
- Housing Internship for First Nations and Inuit Youth
- Inspector training
- Home occupant training
- Support for organizations such as the First Nations National Building Officers Association and the First Nations Housing Managers Association

Renovation Programs

- Residential Rehabilitation Assistance Program
- Home Adaptations for Seniors' Independence
- Shelter Enhancement Program

Mortgage Loan Insurance On-Reserve

- Homeownership On-Reserve with Ministerial Guarantee
- Homeownership On-Reserve without Ministerial Guarantee Pilot

Housing Subsidies Under Long-Term Commitments

- Rural and Native Housing
- Urban Native Housing Program

For additional information on CMHC's programs and services, visit our website, www.cmhc.ca

Given the significant gap between the housing conditions of Aboriginal and non-Aboriginal Canadians, our efforts to improve Aboriginal living conditions are particularly important to our objective of ensuring that all Canadians have access to affordable, sound and suitable housing.

What factors influenced our performance in 2006?

Canada's Aboriginal population is growing five times faster than the general population

In 2001, there were close to one million Aboriginal people in Canada, forming approximately 3.4 per cent of all Canadian households. A joint research initiative by CMHC and Indian and Northern Affairs Canada indicated that under a medium-growth scenario, the number of Aboriginal households is expected to grow by more than 70 per cent by 2026. Aboriginal organizations, communities and governments will need to consider how housing and other services are to be provided and funded under this scenario.

Housing conditions of Aboriginal households continue to be poorer than those of other Canadians

The economic and social challenges facing the Aboriginal population are well documented and make for a level of need that is much higher than that of the rest of the Canadian population. Currently, one-third of on-reserve households are living in housing that is overcrowded and/or in need of major repairs. A consequence of overcrowding and a high incidence of moisture damage and mold in homes is rapid deterioration of the housing stock. It is estimated that between 20,000 and 35,000 units are needed on-reserve to meet the current shortage of housing faced by many First Nations. Each year, as the Aboriginal population grows and new households form, the shortfall on-reserve will grow by an estimated 2,200 units, putting additional strain on living conditions.

Northern households face even greater challenges

Northern and remote areas rely heavily on social housing units due to the inability of residents to pay for sound and suitable housing. A range of socio-economic factors contribute to this situation including high unemployment, high construction and operating costs and a lack of private investment in housing. The severe northern climate presents an additional challenge, combining with overcrowding to accelerate the deterioration of the housing stock.

Increased focus is being placed on the development of long-term solutions

Part of a long-term solution aimed at narrowing the gap between Aboriginal and non-Aboriginal living conditions may also lie in facilitating market-based solutions on-reserve, while still respecting the underlying communal ownership of Aboriginal land. Reserve land cannot be mortgaged, pledged, attached, levied, charged or seized by a non-Indian. This has restricted the use of on-reserve land and limited the ways in which an individual or Band Council can access private capital for housing.

Analysis of our performance

We worked to strengthen our relationships with First Nations and Aboriginal organizations

We are sharing our knowledge and resources with First Nations and Aboriginal organizations so that we can contribute to the development of an effective long-term approach to improve the living conditions of Aboriginal Canadians. In 2006, we continued our work with the Assembly of First Nations, Indian and Northern Affairs Canada and others on the National First Nations Housing Strategy. This strategy focuses on planning, delivery and monitoring of on-reserve housing. We also continued to build relationships with, and support the growth of, national and regional Aboriginal organizations. To develop stronger relationships with off-reserve Aboriginal housing proponents, we worked with participants of the Urban Aboriginal Strategy (UAS) - a multi-year initiative launched by the Government of Canada to help respond to the need of Aboriginal people living in key urban centres. The strategy ranged from extending the offer of information and support to UAS communities, to delivering homeownership seminars for Aboriginal people, to participating in project development.

We shared our knowledge and expertise to help build First Nations housing capacity

CMHC is working at the individual, community and housing institution level to develop housing capacity, with specific attention to housing quality, management, maintenance and related institutional services. In 2006, CMHC worked with a group of First Nations housing managers to develop a new national body, the First Nations National Housing Managers Association. First steps include hiring a project manager and organizing a national meeting with housing managers, representing all regions, to formalize the Association. The Association will be incorporated and officially launched in early 2007.

Corporate Performance Measures	2005 Results	2006 Target	2006 Results	2007 Target
Delivery of on-reserve programs and services through First Nations or Aboriginal organizations (%)	89.3	80	93.6	80

■ Target met or exceeded
■ Target substantially met
■ Target not met

Partnerships like these are also helping us provide skills development and career training opportunities for First Nations people. Overall, the percentage of on-reserve programs delivered by First Nations or Aboriginal organizations increased to almost 94 per cent in 2006, up from 89 per cent in 2005. CMHC also continued to support the efforts of the First Nations National Building Officers Association in 2006, helping them surpass their target of 50 professional designations; the group now has 37 certified inspectors and 23 interns working towards Level 1 certification.

We supported the development of market-like conditions on-reserve

Using our mortgage insurance products, CMHC worked to facilitate an increase in private-sector lending on-reserve. We introduced customized training sessions for communities on the merits of homeownership and explained the benefits of our mortgage insurance products.

CMHC continues to work closely with First Nations to implement a new on-reserve homeownership loan insurance pilot product that will expand homeownership on-reserve, fuel new home construction and renovation, as well as create employment and business opportunities on-reserve. Building on the agreement reached in 2005 with the Nak'azdli First Nation in British Columbia, the Mohawk Council of Kahnawake signed a trust agreement in December 2006. We fell short of our goal to have signed agreements in place with two additional bands in 2006. However, there are signs the initiative is gaining momentum. In December 2006, a second band made a commitment to participating in the pilot by passing a band council resolution in January 2007. A third band council has informally indicated its intention to participate in the pilot.

We implemented a new initiative to help improve housing quality on-reserve

Housing quality issues remain a concern for everyone from Chiefs and Councils to housing staff, inspectors, builders, renovators and home occupants. To reach these different audiences and provide useful information, CMHC launched the Housing Quality Initiative as a comprehensive training and education program in late 2005.

OUR STRENGTHS

- Extensive experience in delivering high quality, durable housing to First Nations communities.
- Knowledge and awareness of Aboriginal housing needs developed through ongoing relationships with Aboriginal organizations, and first-hand experience in program delivery.
- Proven history of contributing to skills training and capacity development.
- Solid research and technical skills to support information dissemination on critical issues such as mold prevention and remediation.

OUR CHALLENGES

- Finding lasting solutions to housing challenges on-reserve that meet the needs of diverse Aboriginal groups.
- Building increased capacity so that First Nations can better manage their own housing.
- Guiding the development of an efficient housing system on-reserve that will meet the needs of Aboriginal Canadians.

TODAY'S OPPORTUNITIES

- Increasing the understanding of Aboriginal trends and issues.
- Implementing an enhanced client strategy for First Nations housing to provide better service, and build stronger, more productive relationships.
- Working with Aboriginal stakeholders to make effective use of current resources.
- Using CMHC's depth of expertise in housing finance to facilitate market-based solutions on-reserve.

In 2006, CMHC entered into agreements with 29 First Nations communities under the Housing Quality Initiative. These agreements provide for training to meet community needs and will include measurement of outcomes over the long-term. CMHC delivered more than 120 housing quality training sessions over the past year. A critical component is the development of Aboriginal trainers to deliver the suite of sessions on a continuing basis. In 2006, CMHC signed 22 delivery agreements with Aboriginal trainers and established 23 training development plans.

CMHC also participated in the Interdepartmental Committee on Mold with Indian and Northern Affairs Canada and Health Canada, in cooperation with the Assembly of First Nations to develop a draft comprehensive strategy to address the problem of mold in on-reserve housing. The strategy was tabled with the Standing Committee on Public Accounts in November 2006. Following additional discussions with First Nations, the strategy will be finalized and implemented in 2007.

We worked to reduce the growth in the shortfall of housing on-reserve

CMHC continued to deliver on both ongoing funding and the one-time allocation of \$103 million over five years for on-reserve housing announced in Budget 2005. In 2006, 4,393 new units of non-profit housing units on-reserve were approved, more than quadrupling the volume achieved in 2005, and exceeding our 2006 target by 10 per cent. This was accomplished despite the on-reserve housing system being overloaded by the increased volume, and a shortage of skilled labour that precluded some First Nations from finding qualified contractors to bid.

The additional funding provided through Budget 2005 also led to a 61 per cent increase in 2006 over 2005 in repairs and renovations to on-reserve homes.

Corporate Performance Measures	2005 Results	2006 Target	2006 Results	2007 Target
On-reserve non-profit new commitments (units)	1,045	4,000	4,393	4,222

■ Target met or exceeded
■ Target substantially met
■ Target not met



The Sheguiandah First Nation on Manitoulin Island undertook their second non-profit project in their community in 2006.

2007 Plans and Priorities

Working with others to improve access to affordable, sound and suitable housing on- and off-reserve

CMHC will continue to transfer skills and knowledge Aboriginal communities in areas including housing construction, renovation, management and finance practices. CMHC will also focus on market-based solutions where feasible and desired by First Nations, and, over the longer-term, investing in activities to develop Aboriginal housing systems.

Key priorities for 2007 include:

- Implementing an enhanced client strategy for Aboriginal housing to provide better service and build stronger, more productive relationships.
- Developing market-based solutions for on-reserve housing to enhance production and quality and strengthen First Nations socio-economic outcomes
- Researching the unique challenges of housing in northern and remote parts of Canada particularly energy efficiency, durability and health.



OBJECTIVE

2

FACILITATE ACCESS TO MORE AFFORDABLE, BETTER QUALITY HOUSING FOR ALL CANADIANS

Well-functioning housing markets benefit Canadians in every walk of life. One way CMHC is helping markets work better is through our mortgage insurance products that protect mortgage lenders against borrower default over the life of a mortgage. Our mortgage securitization programs contribute to a strong system of housing finance by ensuring that an abundant supply of low-cost funds is available. And, our comprehensive suite of housing research and market analysis provide high quality information to governments, consumers and the housing industry so that they can make informed housing choices.

RESOURCES

\$129 million in operating expenses

788 staff years

Objective 2.1

ENSURE CANADIANS HAVE ACCESS TO MORTGAGE INSURANCE PRODUCTS AND TOOLS THAT MEET THEIR NEEDS

What We Do

We offer a wide range of mortgage insurance products to meet the needs of the financial services industry and consumers alike.

Why It Matters

Our homeowner mortgage insurance products lower the costs of homeownership for Canadians and allows them to own a home sooner than would otherwise be possible.

Our rental mortgage insurance products help landlords and developers access low-cost financing, which benefits Canadians by increasing the supply of rental housing and preserving the existing rental stock.

How We Do It

We protect mortgage lenders from borrower default through our mortgage insurance products. This leads to lower interest rates for homebuyers, even those who have not saved a downpayment.

Our products are comprehensive. We serve all parts of the country. We also insure market segments that the private sector may be less inclined to serve, including rental housing.

We operate our mortgage insurance business in a commercial environment, fairly and competitively.



CMHC Toolbox

WE DRAW ON THE FOLLOWING KEY MORTGAGE INSURANCE PRODUCTS TO ACHIEVE THIS STRATEGIC PRIORITY:

Homeowner

- Purchase
- Refinance
- Flexible Down Payment
- Interest-Only Option
- Purchase Plus Improvements
- Lines of Credit
- Second Homes
- Mortgage Loan Insurance Rebate for Energy-Efficient Homes
- Homebuilder Progress Advance
- Mortgage Insurance Products for Purchase of Mobile Homes

Rental

- Purchase
- Refinance
- Mortgage Loan Insurance Rebate for Energy-Efficient Rental Units

For additional information on CMHC's programs and services, visit our website, www.cmhc.ca

The Canadian housing finance landscape is changing. In this environment of rapid change, we believe that making the most of opportunities means balancing change with stability – the innovative with the proven – to ensure that Canadians continue to reap the benefits of our well-functioning system of housing finance for years to come.

What factors influenced our performance in 2006?

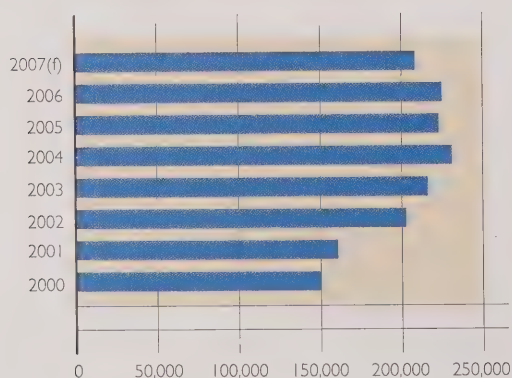
Canada's housing market was rooted in strong fundamentals

Housing starts, at 227,395 units for the year, reached their second highest level in nearly two decades, driven by low mortgage rates, solid employment and income growth, and a high level of consumer confidence. While housing markets are expected to remain strong by historical standards in 2007, they will begin a gradual decline due to rising mortgage carrying costs as home prices and interest rates begin to increase.

Competition expanded in 2006

The total residential mortgage market grew by approximately 10.7 per cent in 2006 to \$694.7 billion. As a result, U.S.-based mortgage insurance providers are increasingly interested in Canada's mortgage market.

Housing starts are expected to slow in 2007



Source: CMHC

For many years, CMHC and Genworth Financial Canada have been the only mortgage insurance providers operating in Canada. However, after receiving approval to do business in Canada in July 2006, a third mortgage insurance provider, AIG United Guaranty, officially launched its product suite in October 2006. Three other U.S.-based providers have also indicated their intention to enter the Canadian mortgage insurance market. However, competition is not new to CMHC – we have operated in a competitive environment for most of our history.

Pace of change in the mortgage market continued to accelerate

Recent changes, such as growth in near- and sub-prime lending, are leading to concerns that the Canadian mortgage market is evolving along the lines of the U.S. experience, where many consumers have over-extended themselves into unsustainable debt. Although some near- and sub-prime products are beginning to be offered in Canada, few, if any, products are being offered to borrowers who are lower down the credit ladder. As indicated in CMHC's 2006 annual Mortgage Consumer Survey, Canadian consumers are highly cautious about their mortgage debt, with three-quarters of respondents indicating that their goal was to pay off their mortgage as quickly as possible.

Analysis of our performance

We made it easier for Canadians across the country to own or rent a home

CMHC is not just another mortgage insurance provider. We are Canada's national housing agency. That is why we are making the most of today's financing opportunities to bring the best possible value to Canadians. We provide housing finance products and tools such as mortgage insurance to facilitate access to homeownership and rental housing to as many Canadians as possible. We are actively underwriting mortgage insurance in all communities across Canada, and we will continue to be active in these markets in good and bad economic times.

In 2006, total mortgage insurance approvals exceeded expectations, largely due to the performance of our homeowner insurance products under strong market conditions. However, they were below 2005 levels, in part because we deliberately delayed insuring amortization periods beyond 30 years. We wanted to ensure that these products would neither put excessive pressure on the Canadian consumer nor adversely affect housing markets.

Corporate Performance Measures	2005 Results	2006 Target	2006 Results	2007 Target
Total mortgage insurance approved (units)	746,157	574,633	631,191	
<ul style="list-style-type: none"> ■ Target met or exceeded ■ Target substantially met ■ Target not met 				

CMHC works to ensure that our products benefit as many Canadians as possible. In 2006, approximately 42 per cent of our mortgage insurance approvals were in markets that were either not served or not well-served by the private sector. Specifically, we offered mortgage insurance products for loans on affordable housing projects, nursing and retirement homes, rental accommodations and mobile homes. We also provided insurance for mortgage loans in rural and northern areas, single-industry towns and on-reserve. In 2006, we significantly surpassed our target of providing one-third of our business in support of public policy objectives because of a rise in the approval of insurance applications for rental purchases and in rural and remote areas.



Evergreen Heights is a seniors project in White Rock, British Columbia funded under the Affordable Housing Initiative. The financing was also facilitated through loan insurance from CMHC.

OUR STRENGTHS

- Innovative products and services that meet the needs of Canadians in every region of the country.
- Strong and committed sales force with locally-based and highly knowledgeable underwriters.
- Predictable and reliable claims payment.
- First-rate technology platform and risk models that facilitate fast and effective underwriting.
- Sound financial footing.

OUR CHALLENGES

- Preparing for change in the housing finance industry, while increasing the value of mortgage insurance to lenders and consumers in the short-term.
- Maintaining CMHC's market position in the context of new competitors and a likely slow-down in the housing market, while maintaining financial prudence.
- Managing other potential impacts on the mortgage insurance market, including an increase in self-insurance by lenders not subject to mandatory mortgage insurance.
- Working with lenders, law enforcement officials and other stakeholders to continue to reduce mortgage fraud.

TODAY'S OPPORTUNITIES

- Staying on the leading edge of mortgage innovation for the continued benefit of all Canadians
- Refining an effective long-term strategy to a dynamic and competitive environment.

Looking forward, demand fundamentals remain positive, and there are no signs of a looming housing bubble in Canada. Rising inventories and mortgage carrying costs are signalling that the market will cool in 2007. Consequently, our insurance business is expected to be down slightly in 2007.

Corporate Performance Measures	2005 Results	2006 Target	2006 Results	2007 Target
Total mortgage insurance units approved to address less served markets and/or support specific government priorities (%)	33.7	33	42.1	33

■ Target met or exceeded
■ Target substantially met
■ Target not met

We responded to the changing needs of Canadians and the housing finance industry through product innovation

When it comes to improving housing affordability, we must remain diligent in our efforts. That is why CMHC continued to look for ways to provide more flexibility in the cashflows required to access homeownership and develop affordable rental housing. In 2006, for example, CMHC led the industry by eliminating application fees for homeowner mortgage insurance. We introduced insurance products for extended amortization periods and launched the CMHC Flex 100 product that provides additional options for borrowers who have not yet saved a downpayment. These new products are assisting borrowers in dealing with rising home prices by providing choice of repayment for borrowers with a proven track record of managing their debts.

We also made it easier for affordable housing proponents to access the funds they need for their housing projects by extending the mortgage loan flexibilities that were introduced in 2005, permitting an increased maximum loan-to-value ratio for new multi-unit properties.

2007 Plans and Priorities

Tackling new challenges and opportunities in a changing competitive landscape

In 2007, CMHC will build on the success of our existing suite of mortgage insurance products and services by introducing new flexibilities and enhancements to ensure that the housing industry and Canadians have the right mix of tools to meet changing needs. We will also place greater emphasis on explaining the public policy benefits of both our housing finance activities and the regulatory environment in which we operate.

Key priorities for 2007 include:

- Enhancing existing or introducing new homeowner mortgage insurance products to better serve the needs of lender clients and select under-served borrower populations, such as recent immigrants, borrowers with impaired credit and the self-employed.
- Promoting awareness and understanding among housing stakeholders and Canadians of the public policy benefits of the Canadian housing finance system, including mortgage insurance and CMHC's products and services.
- Continuing a leadership role in the house finance industry by offering training initiatives to enhance the professionalism and skills within the housing finance sector; for example, in areas such as mortgage fraud detection and mitigation.

Objective 2.2

ENHANCE THE SUPPLY OF LOW-COST FUNDS FOR MORTGAGE LENDING BY EXPANDING THE SECURITIZATION PROGRAM

What We Do

We guarantee the timely payment of interest and principal on securities backed by residential mortgages.

CMHC-backed securities include *National Housing Act* Mortgage-Backed Securities (NHA MBS) issued by financial institutions and Canada Mortgage Bonds (CMB) issued by the Canada Housing Trust.

Why It Matters

Our activities ensure a steady flow of low-cost funds for mortgages. This supports a well functioning and competitive housing finance system by making it easier for smaller lenders to access the funds they need to compete.

Canadian homebuyers benefit from lower mortgage rates.

Investors benefit from opportunities to hold high-quality, secure investments in Canadian residential mortgages.

How We Do It

We develop and deliver securitization programs that meet the needs of mortgage originators and investors.

Because mortgages are transferred from the lender's portfolio, additional funds are made available for mortgage lending to consumers.

We strive to create a liquid market for mortgage-related securities by increasing investor participation in capital market issuances.

CMHC Toolbox

WE DRAW ON THE FOLLOWING PROGRAMS TO ACHIEVE THIS STRATEGIC PRIORITY:

- *National Housing Act* Mortgage-Backed Securities (NHA MBS) Program
- Canada Mortgage Bonds (CMB) Program

For additional information on CMHC's programs and services, visit our website, www.cmhc.ca

Maximizing today's opportunities is about making the most of a favourable business climate. We accomplished that in 2006 when market conditions created the right opportunity for us to expand our securitization programs. By making CMHC guaranteed low-cost funding alternatives available to more financial institutions and by securitizing a wider range of mortgage products, we are helping to lower costs for homeowners. And we are helping to create a strong housing finance system capable of meeting the changing needs of Canadians, today and tomorrow.

What factors influenced our performance in 2006?

Conditions were ripe for stronger mortgage securitization activity in 2006

The share of the residential mortgage market that is securitized with NHA MBS, some of which were subsequently included in the CMB program, rose to 17 per cent (\$124.2 billion) in 2006, up from 15.1 per cent (\$100.3 billion) in 2005.

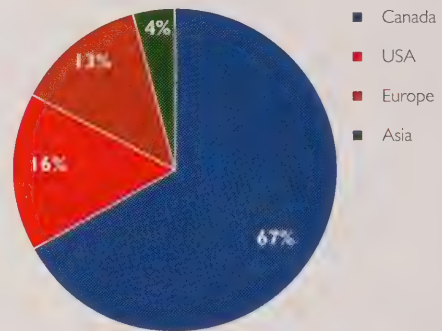
Several factors supported this growth. First, housing market activity in 2006 proved more robust than forecasters had originally anticipated, leading to strong interest from financial institutions in low-cost mortgage funding available through mortgage securitization. Second, a growing number of non-deposit-taking institutions, including large U.S. loan companies and smaller Canadian start-ups, are extensively securitizing and/or selling their mortgages. Third, as the range of mortgage options available to consumers expands, new securitization opportunities are becoming available as lenders seek low-cost funding sources for these products. Finally, investor interest for high-quality income generating products such as NHA MBS and CMB is growing. This demand is driven by a low-interest-rate environment and liquid markets.

Analysis of our performance

We made the most of increased demand for our securitization programs

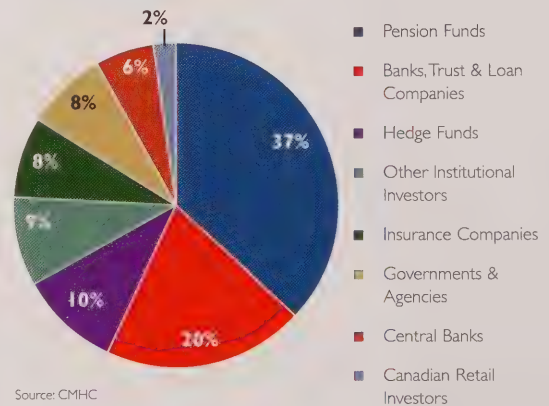
To meet the need for low-cost mortgage funding, the Canada Housing Trust issued a record \$25.1 billion in CMBs in 2006, representing a 39 per cent increase over 2005 volumes. CMHC guaranteed the timely payment on the four CMB issuances. The CMB Program continued to provide low funding rates, averaging a spread of 11.5 basis points over the equivalent 5-year Government of Canada bond yield in 2006. The success of 2006, as exemplified by the increased issuance volume, growth in the CMB Program, spread stability and diversified investor base, clearly demonstrates the extent to which Canada's mortgage industry has embraced this mortgage funding vehicle.

Original Distribution of CMB by Region (Issues in 2006)



Source: CMHC

Original Distribution of CMB by Investor Type (Issues in 2006)



Source: CMHC

Corporate Performance Measures	2005 Results	2006 Target	2006 Results	2007 Target
Annual securities guaranteed (\$M)	30,374	18,000	14,671	10,000

- Target met or exceeded
- Target substantially met
- Target not met

We also guaranteed a total issuance of \$11.0 billion in NHA MBS sold directly to capital markets, bringing our total securitization volume for the year to more than \$36 billion. This level of activity more than doubled our planned volumes and was driven by exceptionally strong demand for low-cost funding by lending institutions in response to continued buoyant housing markets across Canada. New entrants into the CMB Program also contributed to the growth. The target for 2007 has been increased to \$30.5 billion to better reflect these trends.

We continued to position the Corporation to take advantage of opportunities in a changing mortgage marketplace

In 2006, we worked to expand the range of financial institutions able to securitize and fund mortgages via our securitization programs. We introduced several enhancements to the NHA MBS Program and the CMB Program to help increase the supply and variety of mortgages that can be funded. For example, we created an opportunity for multi-family loans to be securitized through the CMB Program, thereby facilitating access to lower-cost funding for rental accommodation. As we continue to navigate a changing environment, we will focus our efforts on product development that meets the changing needs of the housing finance industry and investors alike.

To further ensure that the CMB Program benefits Canadians, CMHC is currently conducting an evaluation of its contributions to the housing finance system. The evaluation is examining the impact of lower-cost financing on the competitiveness in the market, as well as the effects on costs for mortgage borrowers. Results are expected in the fall of 2007.

OUR STRENGTHS

- Leader in mortgage securitization, facilitating low-cost mortgage funding for financial institutions.
- Securities carry the full faith and credit of the Government of Canada, and high credit rating (e.g., Standard and Poor's A-1+ for short-term and AAA for long-term).
- Well-designed securitization programs that minimize CMHC's exposure to the risk of default by participating financial institutions.
- Close ties to the Canadian financial community and good understanding of mortgage originator and investor needs, thereby helping to create a liquid market for CMHC guaranteed securities.

OUR CHALLENGES

- Adapting to the trend towards increased specialization in the mortgage industry which will present new challenges and opportunities for funding and securitization.

TODAY'S OPPORTUNITIES

- Enhancing our securitization programs to fund new mortgage products as the market evolves
- Providing low-cost funding solutions for smaller financial institutions through securitization programs, thereby allowing them to compete in the residential mortgage market with larger players

2007 Plans and Priorities

Increasing access to low-cost mortgage funds

CMHC will focus on identifying efficiencies and new approaches to ensure the steady supply of low-cost mortgage funds continues to benefit Canadians. The Corporation will also prepare for regulatory changes that may affect securitization activities.

Key priorities for 2007 include:

- Evaluating the criteria for financial institutions to participate in CMHC's securitization programs in response to the "unbundling" in the mortgage industry and the emergence of new participants operating under different regulatory environments.
- Expanding the eligibility of mortgage products that can be securitized through CMHC's programs in response to

Objective 2.3

PROVIDE COMPREHENSIVE,
TIMELY AND RELEVANT INFOR-
MATION TO ENABLE CANADIAN
CONSUMERS AND THE HOUSING
SECTOR TO MAKE INFORMED
DECISIONS

What We Do

As Canada's housing expert, we provide a wide range of objective and reliable housing information.

Why It Matters

We help industry participants make informed business decisions.

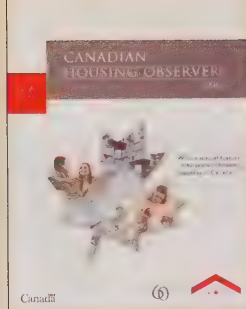
We help consumers make informed choices, whether purchasing, renting, renovating, or maintaining their home.

How We Do It

We work with academics, other government organizations, and industry experts to produce top-quality information.

We share our knowledge and expertise with consumers and the housing industry through conferences, seminars and media releases.

We offer ready access to our information products through our call centre 1 800 668-2642, our website and through our Canadian Housing Information Centre (CHIC).



CMHC Toolbox

WE DRAW ON THE FOLLOWING TOOLS TO
ACHIEVE THIS STRATEGIC PRIORITY:

Research Publications

- Canadian Housing Observer
- Research Highlights
- About Your House fact sheets
- Variety of topical reference materials, such as:
 - Canadian Wood-Frame House Construction
 - Homeowner's Manual
 - Home Care: A Guide to Repair and Maintenance
 - Your Guide to Renting a Home
 - Guide to Cooperative Housing

Research Initiatives

- Directed Research
- External Research
- National Housing Research Committee
- Housing Awards Program
- Housing Studies Achievement Award
- Affordability and Choice Today
- Information transfer – seminars, presentations, electronic newsletters

Market Analysis Products

- Housing Market Outlook
- Housing Now
- Housing Statistics
- Rental Market reports
- Annual Renovation Expenditure Survey
- Time series data
- Housing Outlook conferences/seminars

**For additional information on CMHC's
programs and services, visit our website,
www.cmhc.ca**

As Canada's premier source of housing information and market analysis, one of our greatest opportunities today is to use our wealth of knowledge and expertise to influence housing-related decisions by policy makers, industry, and consumers. The key to realizing success through this opportunity rests in getting the right product to the right people at the right time.

What factors influenced our performance in 2006?

Confidence in housing remains high

CMHC's survey of consumer intentions showed that 8 per cent of all households surveyed indicated that they were ready to buy a home this year. Home renovations continued to be popular with 13 per cent of surveyed homeowners reporting that they were ready to undertake renovations costing \$1,000 or more.

Consumer expectations for improved job markets and household finances bode well for solid consumption expenditures in 2007. Demand for homeownership and home renovation should remain fairly strong, albeit somewhat lower than in recent years. CMHC offers a wide range of information to meet the needs of consumers planning a home purchase or renovation.

Housing is an important contributor to the well-being of Canadians

The housing sector made a significant contribution to the Canadian economy in 2006, with strong employment growth, rising incomes and low mortgage rates fuelling sustained housing demand and high levels of new construction, resales, renovation and mortgage lending activity. In addition, educational attainment, crime levels, and overall population health are all linked to housing supply and conditions. Information and market intelligence are required by many housing stakeholders to ensure that Canadians continue to be well-housed, sound decisions are made for the benefit of all, and housing issues are considered when broader policy decisions are made.



CMHC's 2006 Housing Awards Program recognized 16 best practices in affordable housing from across the country

OUR STRENGTHS

- Premier source of reliable and objective housing information in Canada.
- Extensive database and knowledge gathered over 60 years of collecting housing data and researching housing issues.
- Sought-after housing expertise, with a proven ability to inform consumers, governments and other industry stakeholders on key issues related to housing.

OUR CHALLENGES

- Promoting the vast array of CMHC resources and products to the general public and targeting consumers with specific needs.
- Effectively sharing our expertise to increase awareness of key housing issues among industry participants and decision makers.

TODAY'S OPPORTUNITIES

- Adapting information products to best meet the evolving needs of our stakeholders
- Using research and information products as tools for influencing the development of housing policy

Analysis of our performance

We created opportunities to provide housing information to Canadians and the housing sector

In 2006, CMHC developed a range of new products and services ranging from the new *Home Buyer's Guide* to the new *Home Insurance* guide. We also launched the *Home Buyer's Guide* to help Canadians understand the housing needs of different groups, including seniors, people with disabilities, to the comprehensive *Home Buyer's Guide* for Canadian housing information. We also launched the *Housing Observer*.

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CMHC's newly-released *Housing in Canada Online* (HICO) is a good example of our efforts to tailor our products and services to meet the needs of policy-makers. HICO is an interactive tool that incorporates a selection of customizable housing conditions and core housing need data. Housing stakeholders (federal, provincial and municipal housing agencies, non-profit organizations and academic researchers) are able to use this new tool to guide research, policy and program development and implementation.

To further bring the benefit of CMHC's housing expertise and research programs to a broader range of individuals, we delivered 361 presentations on a variety of topics in 2006, reaching a combined audience of more than 16,000 individuals. Seminars offered in 2006 ranged from *Build and Renovate to Avoid Mold* workshops, to presentations dealing with flexible design concepts to meet the distinct housing needs of seniors and persons with disabilities. Through continual improvement and refinement, these seminars have become top-quality events that are well targeted to their intended audience, achieving an overall usefulness rating of 94 per cent.

Corporate Performance Measures	2005 Results	2006 Target	2006 Results	2007 Target
Recipients of newly-published Research Highlights who found them useful (%)	69	70	68	70
Recipients of newly-published About Your House fact sheets who found them useful (%)	93	80	83	80
Information transfer seminar attendees who found them useful (%)	83	70	94	85
■ Target met or exceeded ■ Target substantially met ■ Target not met				

We continued to solidify our reputation as a leader in housing market analysis

Participation in our National Housing Outlook Conferences, demonstrated that the housing industry wants to know what we think. Our events were attended by record numbers in 2006, with more than 4,800 people attending the 17 CMHC Housing Outlook Conferences and Seminars held across the country and another 33,500 attending presentations made by CMHC market analysts at a wide range of housing events.

In 2006, CMHC released an evaluation of our market analysis function, which examined the national need for housing market information, as well as the value-for-money of our market analysis activities. Based on client surveys in 2004, the evaluation concluded that CMHC provided reliable, consistent and comprehensive housing market information. Clients further indicated that they use CMHC's market analysis information in their decision making. By applying measures of forecasting accuracy and client usage, the evaluation estimated that there was an annual efficiency gain in the new housing market of about \$28 million. This particular gain, a portion of which is attributable to the function, exceeded the entire cost of CMHC's market analysis activity.

As a result of extensive client consultation and review of our products and services during 2005 and 2006, CMHC announced a number of major enhancements to its market analysis information products. These enhancements include more coverage of the Secondary Rental Market, an additional Rental Market Survey to be conducted in the spring, and an annual Renovation Expenditure Survey. Our suite of publications has also been expanded to cover additional urban areas.

Corporate Performance Measures	2005 Results	2006 Target	2006 Results	2007 Target
Forecast accuracy of housing starts (%)	-6.8	Within 10% of actual	-8.9	Within 10% of actual
Ranking of housing start forecast accuracy among forecasters	2nd	CMHC rank within top quartile	4th	CMHC rank within top quartile
Recipients of market analysis publications who found them useful (%)	94.8	70	94	70
Attendees at Housing Outlook Conferences who found them useful (%)	99	80	99.7	90
■ Target met or exceeded ■ Target substantially met ■ Target not met				

2007 Plans and Priorities

Applying our knowledge and expertise to enhance Canada's housing system

In 2007, CMHC will look at ways to improve our housing information product offerings and distribution methods, and to ensure that our research and market analysis are used as resources to facilitate and enhance housing policy decisions.

Key priorities in 2007 include:

- Continuing to publish the *Canadian Housing Observer* as a foundation for a forward-looking discussion of housing in Canada.
- Expanding the web-based dissemination of data to support decision-making.
- Implementing the recommendations stemming from the market analysis product and services review, including the analysis and dissemination of results from our new annual Secondary Rental Market Surveys and Spring Rental Market Survey.



OBJECTIVE

3

ENSURE THE CANADIAN HOUSING SYSTEM REMAINS ONE OF THE BEST IN THE WORLD

As Canada's national housing agency, CMHC plays a lead role in ensuring that the Canadian housing system remains among the best in the world. To this end, we advise the Government of Canada on matters of housing policy. We promote housing and housing development that is sustainable and healthy, providing lasting value to Canadians. We continually examine the functioning of the housing system to identify gaps which may leave some Canadians unable to access affordable, sound and suitable housing. And we work with government, community and industry partners to address these gaps.

Because we understand the value that our housing system brings to Canadians, we sell our expertise to countries around the world who are interested in adapting our housing solutions to meet their needs and realities. We promote Canadian housing technologies and building practices through our support to housing exporters.

To continue to play a leadership role in housing at home and abroad, we ensure that CMHC is a strong organization able to fulfill our mandate and meet the challenges we face in the future.

RESOURCES

\$90 million in operating expenses

703 staff years

Objective 3.1

ENSURE CANADA'S HOUSING SYSTEM REMAINS ONE OF THE BEST IN THE WORLD

What We Do

We advise the Government of Canada on matters of housing policy.

We promote healthy, environmentally-sustainable housing in healthy, liveable communities across the country.

Why It Matters

Our work ensures that the Canadian housing system remains one of the best in the world, and that all Canadians reap the benefits of our world-class housing system.

Sustainable neighbourhood designs and land-use planning approaches reduce infrastructure costs and environmental impacts, while maintaining community liveability.

A healthy house is one that is good for the people who live in it and good for the environment.

How We Do It

We develop and implement housing policy and programs that ensure governments, communities and the housing sector are working together to meet the needs of all Canadians.

We work with academia, industry, governments and other housing stakeholders to develop and share best practices in the design and construction of sustainable housing.

We work directly with communities in developing innovative, sustainable development solutions, tailored to meet their unique needs.

We encourage energy efficiency and offer accessible, practical tips for home maintenance.

CMHC Toolbox

WE DRAW ON THE FOLLOWING TOOLS TO ACHIEVE THIS STRATEGIC PRIORITY:

- Housing policy development
- Equilibrium Healthy Housing Initiative (formerly known as Net Zero Energy Healthy Housing)
- Sustainable community planning and design workshops
- Mortgage Loan Insurance for Energy Efficient Homes – 10% premium rebate
- Range of information products and service including *Your Next Move: Choosing*

For additional information on CMHC's programs and services, visit our website, www.cmhc.ca

Six decades of housing progress have resulted in improvements in housing conditions in Canada. Whether measured in terms of the improved features and physical condition of their homes, or increased rates of homeownership, Canadians have been the beneficiaries of substantial improvements in their housing. Through ongoing research and policy development, we are creating the conditions needed to achieve our goal of ensuring that Canada's housing system remains one of the best in the world, offering a variety of affordable, sound and suitable housing for Canadians.

What factors influenced our performance in 2006?

Canada's social housing stock is facing challenges

Many social housing projects, particularly in the larger cities, are in need of regeneration. The challenge for housing operators is not just to make the investments in renovation and improvement, but to involve the residents in a way that develops a sense of ownership and pride. Regeneration means improving not only the physical structure, but the well-being of the occupants.

Another challenge is the fact that operating agreements (which provide government subsidies) are beginning to expire and will do so increasingly in the coming years.

Renewed attention is being paid to addressing the growing environmental concerns

Increased attention is being directed to the environment and to the reduction of greenhouse gas emissions. The Government of Canada has committed to the development and implementation of a Made-in-Canada plan for reducing greenhouse gases and ensuring clean air, water, land and energy for Canadians.

Exploring the benefits of urban intensification and renewal

Municipalities are also taking a look at how their planning and development impact the environment. Since the mid-1940s, most development has occurred at the edge of urban areas in less compact forms on "greenfield" lands such as farms and forests. Low-density development has led to inefficient use of municipal infrastructure, loss of farmland and natural spaces, car dependency, traffic congestion and poor air quality. As passenger road transportation is responsible for almost half of Canadians' personal greenhouse gas emissions, urban intensification can minimize these impacts, and reduce servicing and infrastructure costs.

OUR STRENGTHS

- Housing expertise for over 60 years as Canada's national housing agency.
- Experience in housing policy development.
- Broad network of relationships with other levels of government, and industry and non-profit stakeholders.

OUR CHALLENGES

- Working in a multi-jurisdictional environment.
- Making the link between housing and key policy matters such as the environment and infrastructure.

TODAY'S OPPORTUNITIES

- Developing proposals on new or improved tools to support the Canadian housing system.
- Contributing to a better understanding of the environmental performance of housing.
- Working with provinces and territories on options for social housing after the expiry of subsidy agreements.

Analysis of our performance

We played a key role in developing housing policy

As Canada's national housing agency, we are instrumental in ensuring that the Canadian housing system remains one of the best in the world, able to adapt and evolve to meet the changing housing needs of Canadians.

In 2006, a portion of our policy work included examining options for managing the existing social housing stock. The Government of Canada, through CMHC, assists over 630,000 lower-income households by providing approximately \$1.8 billion annually in on-going social housing subsidies through long-term agreements with private and public non-profit housing providers, as well as with provincial and territorial governments. These agreements provide long-term sustainable funding, with terms of 25 to 50 years, and ensure projects are well managed and well maintained as part of the accountability framework built into the agreements. However, older agreements have begun to expire and all will expire by the 2030s. CMHC's policy work will focus on the management of this housing after the agreements have expired. As provinces and territories administer and share in the financing of many of these projects, this work will be undertaken in close collaboration with our provincial and territorial partners.

We worked to create a vision for a healthy, sustainable future

CMHC is the architect of a joint government/industry initiative to create a model for sustainable, healthy homes. EQUilibrium Healthy Housing (formerly known as Net Zero Energy Healthy Housing) is an innovative approach to the design, construction and operation of homes that are highly energy and resource efficient, healthy to live in, environmentally-friendly and affordable. Federal commitment towards the initiative totals \$1.4 million.



CMHC Chairperson Dino Chiesa, Minister Monte Solberg, President Karen Kinsley and Parliamentary Secretary Jacques Gaurde discuss designs selected for the EQUilibrium Healthy Housing Initiative.

In 2006, we completed phase I of the initiative. Seventy-two teams submitted proposals, indicating a very positive reception of this concept by the Canadian housing industry. Twenty teams were subsequently invited to submit more detailed proposals for their projects. In January 2007, the final 12 projects were selected. Construction will begin in the spring of 2007.

We worked with communities to find sustainable development solutions

In small communities, the need for sustainable development is sometimes not as apparent as in larger ones - but the pressures are every bit as real. That's why we offer our *Sustainable Planning and Development for Small Communities* workshops designed specifically for municipal officials and community planners. In 2006, workshops were held in 15 communities, reaching 332 individuals. The workshops provided practical information about sustainable development issues for smaller communities, and at the same time laid a solid framework for sustainable development within each community. Our sustainability workshops were very well received in 2006, rated as useful or very useful by 94 per cent of the participants.

CMHC also offered integrated design workshops across the country, bringing together relevant stakeholders in the community planning and development process, such as engineers, architects, planners, politicians and citizens. In 2006, three charettes were completed, including one in Fort McMurray that focused on the planning of a new residential subdivision. The objective was to preserve natural systems and promote higher-density development without sacrificing sustainability.

We also coordinated... helped the city... environment...



CMHC helped kick off the Integrated Design Process...

2007 Plans and Priorities

Ensuring the continued success of the Canadian housing system

CMHC will continue to... by providing housing... any possible federal... We will also work to align... with a view to demonst... logy to... And we will continue to... important... will... small...

Key priorities for 2007 include:

- ...
- ...
- ...

Objective 3.2

SUPPORT AND PROMOTE
CANADA'S WORLD-CLASS
HOUSING PRODUCTS, SERVICES
AND SYSTEM INTERNATIONALLY

What We Do

We support Canadian exporters in the housing industry by promoting Canadian products and services in countries around the world.

We provide consulting services in developing and implementing solutions to the housing and housing finance challenges faced by our international clients.

We represent Canada on housing matters both domestically and abroad and participate in United Nations programs.

Why It Matters

We enhance the quality of life and improve the housing conditions in developing countries and emerging economies.

We contribute to the strength and innovative capacity of the Canadian housing export industry.

We help create jobs from coast to coast to coast, which contributes to a vibrant Canadian economy.

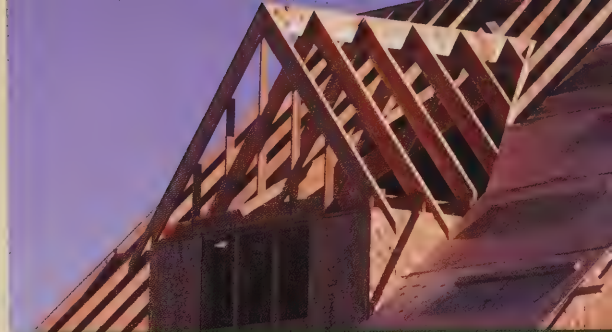
How We Do It

We support Canadian businesses in their search for diversified markets and new housing export opportunities.

We present the benefits of Canadian housing solutions and assist clients to make decisions aimed at strengthening their housing systems.

We promote awareness and recognition of, and access to Canadian housing products, services and technologies abroad by working in partnership with industry and governments.

We host foreign delegations to Canada to enhance their understanding and awareness of Canadian housing solutions.



CMHC Toolbox

WE DRAW ON THE FOLLOWING TOOLS TO
ACHIEVE THIS STRATEGIC PRIORITY:

- CMHC International Housing Export Services
- CMHC International Consulting Services
- CMHC International Relations

**For additional information on CMHC's
programs and services, visit our website,
www.cmhc.ca**



Canada has developed an effective housing system, and it shows – we are among the best housed people in the world. Canada's success in housing creates opportunities to help other countries make improvements to their own housing systems, and at the same time, to market Canada's housing goods and services internationally. Through our efforts on the world scene, Canada's international housing presence has increased substantially in recent years, creating many opportunities to realize a successful tomorrow.

What factors influenced our performance in 2006?

Globalization continued to benefit global housing solution providers

The global marketplace is increasingly aware of housing solutions around the world. Developing countries recognize that countries such as Canada have well-established housing systems and are looking to emulate elements of the Canadian system. A well-functioning housing sector contributes to economic prosperity and social stability in these countries. The adoption of Canadian housing solutions internationally also creates competitive advantages and opportunities for Canadian expertise and exports.

Housing exports contribute to Canada's prosperity

Canada sells a variety of housing-related goods and services to other countries. These include building materials, manufactured components and complete building systems, as well as a range of expertise in urban planning, and in designing and building homes. The export of housing-related products in 2006 is estimated at \$8.76 billion. The U.S. continues to be the primary destination for Canadian exports, accounting for more than 90 per cent of Canadian housing exports.

Weakening economic growth in the U.S. and the beginning of a housing market correction was bad news for Canadian exporters in 2006. However, on the positive side for exporters, the Canadian dollar began a welcome, albeit gradual, descent against the U.S. currency in 2006, which helped partially offset the U.S. slowdown.

OUR STRENGTHS

- Reputation as a reliable, knowledgeable and result-oriented consulting partner on the international scene.
- Repeat business and testimonials from our export and consulting clients.
- Strong relationships and partnerships with key international players, such as the World Bank and the IUHF, and with Canadian partners, such as Développement International Desjardins.
- Ability to produce results for exporters, who indicate that we have been partners in the creation of more than 4,100 jobs and \$378 million in export sales over the past 6 years.

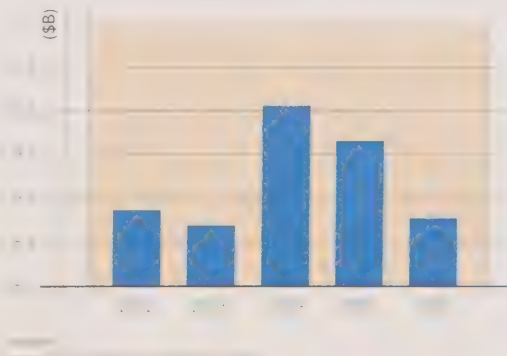
OUR CHALLENGES

- Dealing with trade barriers.
- Helping relatively small Canadian companies compete in the highly competitive world market.
- Working in developing countries and emerging economies that are experiencing a degree of political and economic instability.

TODAY'S OPPORTUNITIES

- Positioning to take advantage of the growing international importance of, and focus on, sustainable housing and community development.
- Fostering and supporting the growing acceptance and recognition of "Super E".
- Positioning to benefit from the increased importance of housing policy in an ever growing number of countries.

Canadian Housing-Related Building Product Export (excluding lumber industries)



Analysis of our performance

We successfully competed for international consulting contracts

We are a leading provider of solutions to improve housing affordability and accessibility in countries around the world. In 2006, we signed an unprecedented \$4.6 million in new contracts that will be delivered over the next few years, and surpassed our targeted revenue from consulting services by 28 per cent. More importantly, our consulting services are making a real impact on the capacity of numerous nations to address their most pressing housing challenges. Working in partnership with Développement International Desjardins, for example, we are helping to foster regulatory reform in Ghana and increase the capacity of four Ghanaian financial institutions. In Jordan, we are working to help build what is recognized as the Middle East's first-ever privately-held mortgage insurance company. Our work involved the development of a business strategy and the provision of technical assistance to implement and support the operations of the Housing Loan Insurance Company, scheduled to begin in 2007.

Corporate Performance Measures	2005 Results	2006 Target	2006 Results	2007 Target
Revenue from selling CMHC's expertise abroad (\$M)	1.3	1.5	1.88	1.95

■ Target met or exceeded
■ Target substantially met
■ Target not met

We increased our consulting services to meet growing global demand

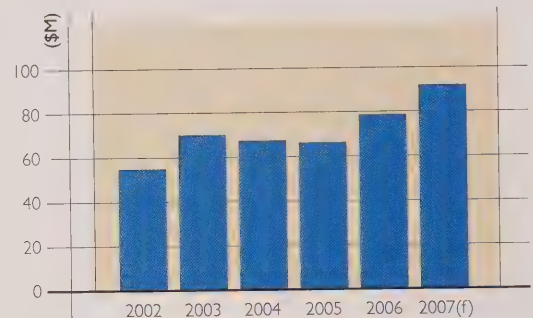
To maximize our impact in world markets, we are broadening our traditional focus on housing finance and housing policy to consulting services related to other aspects of an effective housing system, such as reliable market information. In Egypt, for example, we are helping to build the capacity to produce a National Urban Observatory that will provide a comprehensive view of the state of the nation's housing. We are also increasingly entering into partnerships with other Canadian institutions abroad, and promoting other Canadian service providers, including legal professionals with expertise in housing finance, housing market appraisers and IT professionals. By broadening our network of partners, we are opening the door to more opportunities and future successes, not only for CMHC, but for our Canadian partners as well.

We helped pave the way to a successful tomorrow for Canadian housing exporters

Our export team has deep knowledge of client needs and capabilities, which is paying dividends for Canadian housing exporters and leading to a bright future for our export services. As a result, CMHC export clients reported sales attributed to CMHC that were more than 18 per cent above last year's volumes and 11 per cent above target. The almost \$80 million in CMHC-facilitated export sales led to the creation of more than 870 jobs for Canadians in 2006.

CMHC priority export markets include the U.S. and Mexico, as well as many of the key markets identified by International Trade Canada as having the greatest growth potential, including China, the European Union, South Korea, Japan and Russia. Markets that showed exceptional strength in 2006 were UK/Ireland, the United States and Mexico. While most of our markets performed exceptionally well in 2006, our clients were less successful in some markets and, as a result, we are actively working on determining the reasons for the under-performance and strengthening our network in these countries to improve results for our export clients in the future.

Value of CMHC-facilitated sales reported by key clients



Source: CMHC

The strength of our export team is reflected in the results of our annual client satisfaction survey in which 82 per cent of respondents indicated that they were satisfied or very satisfied with our services. Clients indicated that they derived the greatest value from the exposure we afforded the Canadian housing industry in foreign markets, the contacts and leads we offered, the information and support we provided to businesses entering new markets, and our active promotion of their business and the Canadian housing industry abroad. Clients suggested that the value of our services would be increased through the provision of more resources and through the subsidization of activities. We are exploring options to better meet the needs of our clients.

Corporate Performance Measures	2005 Results	2006 Target	2006 Results	2007 Target
Overall satisfaction rate of key export clients (%)	84	75	87	75
Value of CMHC-facilitated sales reported by key export clients (\$M)	66.7	71.4	74.3	92.5

- Target met or exceeded
- Target substantially met
- Target not met



Receiving Line at the 26th IUHF World Congress Welcome Reception: Ted McGovern, Outgoing President, IUHF; Renu Karnad, Incoming President, IUHF; Harold Calla, Board of Directors, CMHC; Karen Kinsley, President, CMHC; Pierre David, Executive Director, CMHC International.

We organized the IUHF World Congress

In 2006, CMHC made the most of its international presence by organizing the 26th International Union of Housing Finance (IUHF) World Congress in Vancouver, British Columbia. The congress was held from September 10-14, 2006, and was the largest international financial industry event in Canada. The congress was organized by the International Union of Housing Finance (IUHF) and was the largest international financial industry event in Canada. The congress was organized by the International Union of Housing Finance (IUHF) and was the largest international financial industry event in Canada. The congress was organized by the International Union of Housing Finance (IUHF) and was the largest international financial industry event in Canada.

2007 Plans and Priorities

Positioning to make the most of new opportunities abroad

Internationally, CMHC is positioning itself to make the most of new opportunities abroad by positioning itself to make the most of new opportunities abroad. The importance of the housing industry is becoming increasingly apparent as an ever increasing number of countries are turning to CMHC to make the most of new opportunities abroad. The importance of the housing industry is becoming increasingly apparent as an ever increasing number of countries are turning to CMHC to make the most of new opportunities abroad.

- Expanding our international presence by positioning ourselves to make the most of new opportunities abroad.
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- Positioning ourselves to make the most of new opportunities abroad by positioning ourselves to make the most of new opportunities abroad.

Objective 3.3

ENSURE THAT CMHC IS A
STRONG ORGANIZATION ABLE
TO FULFILL ITS MANDATE

What We Do

We ensure that we remain a strong, responsible and progressive organization, drawing on our 60 years of experience to serve the housing needs of Canadians.

Why It Matters

We provide benefits to Canadians that are fundamental to their quality of life and well being.

Effective management of resources and efficient operations mean greater value for Canadians.

How We Do It

We manage our business in an ethical and accountable way, recognizing that our human resources are the greatest asset.

We use sound financial, administrative and information technology processes and systems.



Throughout our history, we have shown our ability to adapt to current realities and to make a significant contribution to improving housing and living conditions in Canada. While we know there is more work to do, we also are confident that the foundation we have built in sustainable governance practices, progressive human resources policies, innovation and expertise, sound risk and financial management and accountability is preparing the way for our efforts to resolve the challenges still before us. Looking ahead, we will continue to ensure that we have the structures in place to make CMHC a strong organization – one with the vision to set new directions when challenges warrant or to stay the course when needed.

What factors influenced our performance in 2006?

Companies are taking steps to retain their skilled workers

Various demographic variables, most notably, the pending retirement of the baby-boom generation, are beginning to create talent management issues for many organizations. Like many other organizations, CMHC is experiencing an increasing proportion of older workers, a decreasing supply of younger workers, and an increasing need for highly-skilled, educated and knowledge workers. As competition within the housing finance business continues to intensify, staffing pressures may increase due to the potential recruitment of CMHC staff with "hot" skills. In this environment, aligning performance with strategic directions, career development, training and succession planning is very important. Workforce management and retention is not just about employee satisfaction, but also about the business sustainability, productivity, and growth of organizations.

Analysis of our performance

We devoted significant time and effort to setting the right vision for managing people at CMHC

Since our beginnings, we have been at the forefront of human resources practices, introducing leading edge programs and policies, and flexible benefits packages and options to respond to employee life changes and lifestyle choices. Beginning 2005, we focused our attention on succession management

OUR STRENGTHS

- Strong, well-accepted values that guide all activities.
- Flexible strategic review process that enables management to respond to challenges in meeting objectives by reprioritizing and redirecting resources where needed.
- Comprehensive risk framework and extensive business performance reporting against corporate objectives and targets.

OUR CHALLENGES

- Developing enhanced methodologies and metrics to better demonstrate the value that CMHC's suite of programs and services bring to Canadians.
- Competing for individuals with the skills that CMHC requires.
- Attracting consumers' attention during marketing campaigns given today's accelerated pace and numerous media formats.

TODAY'S OPPORTUNITIES

- Ensuring what CMHC offers its employees (both in terms of compensation and working environment) supports the attraction and retention of the needed skilled employee base.
- Identifying options to optimize corporate marketing investments to better support corporate priorities.
- Developing and implementing marketing sub-brands for various corporate functions.
- Implementing additional information management capabilities.

practices to ensure that we have the skills and resources required to fulfill our mandate and deliver valuable programs and services to Canadians. In 2006, CMHC set out the identified positions that represent the greatest people risk for the Corporation. Individual action plans were implemented in 2006 to ensure that CMHC has employees who could successfully compete for these positions in the future.

In 2006, we broadened our focus on strengthening employee

the supportive environment needed to advance their careers. The talent management framework provides a vision for managing human resources at CMHC over the coming years by describing for our employees the type of work environment that we want to encourage. This in turn should help us attract and retain the pool of talented employees that CMHC needs to achieve our business objectives. Through the talent management framework, we are committed to ensuring that our employees work in an environment that maximizes their engagement and contribution, provides opportunities to learn and develop and adequately recognizes and rewards good performance.

Corporate Performance Measures	2005 Results	2006 Target	2006 Results	2007 Target
Retention rate of recent recruits (%)	95	93 for 3-5 year retention	93	93 for 3-5 year retention

■ Target met or exceeded
■ Target substantially met
■ Target not met

CMHC monitors retention rates of recent recruits as a means of gauging the effectiveness of our human resources practices, such as our talent management framework, and as a guide to how effectively we are keeping pace with the competitive labour market. Our retention rate for employees recruited three to five years ago remained very high at 93 per cent, right on target. Overall, separation rates showed slight increases (total separation rate was 6.9 per cent in 2006 versus 6 per cent in 2005), primarily due to a higher volume of retirements. Separations will continue to be closely monitored to ensure that we are able to alter our retention and recruitment strategies needed to meet our current and future needs.

We promoted the value of CMHC to Canadians

As Canada's national housing agency, we believe that it is important for Canadians to understand the contribution of the federal government to housing and the value of high-quality housing in their lives. As such, the growth of awareness of CMHC programs and services remains a priority for the Corporation. Since 2001, CMHC has conducted semi-annual consumer advertising campaigns carried out in the spring and fall of each year. The advertising focus has been on informing Canadians that CMHC has objective and reliable information that can assist them with their home-buying decisions and/or renovation planning. The consumer advertising campaigns to date have proven very successful in generating visibility for CMHC.

Corporate Performance Measures	2005 Results	2006 Target	2006 Results	2007 Target
Overall awareness of CMHC (%)	81	76	81	80
Unaided awareness of CMHC (%)	27	18	27	21

■ Target met or exceeded
■ Target substantially met
■ Target not met

In 2006, a greater priority was placed on promoting CMHC's competitive housing finance products and services to Canadians. CMHC executed a spring and fall consumer advertising campaigns targeting first-time homebuyers. The campaigns were focused on promoting the benefits of CMHC Mortgage Loan insurance and other CMHC information products that could assist first-time homebuyers. Following the 2006 consumer advertising campaigns, unaided awareness of CMHC reached 29 per cent in the six target markets, the highest level to date.

2007 Plans and Priorities

Maintaining a strong organization

CMHC will continue to build on the progress made in succession management to establish a full talent management framework. The Corporation will also invest in appropriate technologies that allow for better creation, analysis and management of corporate information.

Key priorities for 2007 include:

- Integrating the talent management framework with the existing succession management initiative.
- Strengthening CMHC's capacity to create, analyze and publish information, both internally and externally, through the implementation of strategic enterprise content management.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis
Risk Management

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of Operations

As Canada's national housing agency, we fulfill our mandate through four business activities: Housing Programs, Lending, Insurance, and Securitization. All transactions, investments, parliamentary appropriations and spending are accounted for under one of these four activities. The Housing Programs and Lending activities deliver housing to those in need and are operated on a break-even basis. The Insurance and Securitization activities facilitate access to low-cost mortgages and, as required by our mandate, are operated on a commercial basis. The Corporation's net income is derived primarily from the Insurance and Securitization activities.

In 2005, the Corporation adopted *Accounting Guideline 15: Consolidation of Variable Interest Entities* (AcG-15). This guideline requires the consolidation of certain variable interest entities that are subject to control on a basis other than through ownership of a majority of voting interest. AcG-15 requires the consolidation of these entities by the primary beneficiary. Canada Housing Trust (CHT) is such a variable interest entity

and CMHC is considered the primary beneficiary. Therefore, for accounting purposes, Canada Housing Trust's financial statements are consolidated with those of CMHC.

The impact of this consolidation on the Corporation's financial statements at 31 December 2006, net of inter-entity transactions, was to increase assets and liabilities by \$95,619 million (2005 – \$72,751 million) and increase both revenues and expenses by \$3,418 million (2005 – \$2,617 million). There is no impact on our consolidated net income or consolidated retained earnings.

Of note, application fees and issuance costs in the Insurance and Securitization activities are now deferred and amortized to income on the same basis as the related premiums/guarantee fees. This causes a minimal decrease of \$10 million (1 per cent) in 2006 net income, which is a combination of decreases in application fee revenue (\$44 million), operating expenses (\$29 million) and taxes (\$5 million).

Objective 1,

Help Canadians in Need, is accounted for primarily under these business activities

HOUSING PROGRAMS

CMHC receives parliamentary appropriations to respond to Canadians' housing needs through various housing programs with spending amounting to approximately \$2 billion annually.

LENDING

Loans and investments in housing programs are made by CMHC in accordance with the provisions of the National Housing Act (NHA).

Objective 2,

Facilitate Access to More Affordable, Better Quality Housing, is accounted for primarily under these business activities

INSURANCE

Through the provision of mortgage insurance, CMHC protects lenders from borrower default, helping Canadians access homeownership earlier and at highly competitive interest rates.

SECURITIZATION

Through the guarantee of mortgage securities, CMHC ensures an abundant supply of low cost funds for the residential mortgage market, in turn lowering mortgage interest rates for Canadian consumers. This activity includes the timely payment guarantee provided on Canada Mortgage Bonds issued by the Canada Housing Trust (CHT).

Objective 3,

Ensure the Canadian Housing System Remains One of the Best in the World transcends all business activities

Corporate Financial Results

Results	2005 Actual	2006 Plan	2006 Actual	Results Against Plan	2007 Plan
Revenues (\$M)	7,334	7,971	8,262	104%	8,137
Expenses (\$M)	5,870	6,541	6,780	104%	6,606
Income Taxes (\$M)	462	465	456	98%	498
Net Income (\$M)	1,002	965	1,026	106%	1,033
Other Comprehensive Income ¹ (\$M)	N/A	N/A	N/A	N/A	65
Retained Earnings (\$M)	4,403	5,284	5,429	103%	6,480
Accumulated Other Comprehensive Income ¹ (\$M)	N/A	N/A	N/A	N/A	291
Resource Management					
Operating Expenses (\$M)	303	384	298	78%	362
Staff-Years ²	1,804	1,917	1,877	98%	1,897

¹ New components of the financial statements required by the implementation of the financial instruments standards (see section on Future Developments).

² Canada Housing Trust has no staff years.

Revenue

At CMHC, we generate our revenues from a number of sources. For each of our four business activities, revenues are derived as follows:

Our Housing Programs are funded through annual Parliamentary appropriations that are used to cover the Housing Program expenses as well as administrative costs to administer these programs. Looking ahead, the amount of these appropriations will remain fairly predictable as a substantial portion relate to long-term commitments signed in prior years.

Our Lending activity earns interest income on its loan portfolio of approximately \$12.7 billion (2005 – \$13.2 billion).

Our Insurance and Securitization activities are operated in a commercial manner and revenues are earned from premiums and fees. Insurance premiums and fees are received at inception of the mortgage insurance policy, and are recognized as revenue over the period covered by the insurance contract using factors that reflect the long-term pattern for default risk. As a result, a substantial portion of any year's premiums and fees revenue from insurance result from policies issued in prior years. Guarantee fees in the securitization activity are also received at inception and are recognized over the term of the NHA Mortgage-Backed Securities or Canada Mortgage Bonds on a straight-line basis. In the last few years, these activities have also generated a considerable amount of revenues from their investment portfolios. The portfolios consist of

the accumulated premiums and guarantee fees that CMHC collects to cover the associated long-term default risk as well as re-invested investment income. The investment portfolios are managed prudently to ensure sufficient funds are maintained to pay future claims.

The majority of CHT's revenue is generated from income on its investment in NHA Mortgage-Backed Securities and to a lesser extent from investment income on short-term securities.

Expenses

CMHC's expenses can be divided into four main categories:

- Housing Program expenses, including the cost of administering these programs (described later in the Financial Analysis by Corporate Objective section under Objective 1).
- Interest expense on the borrowings used to fund the Lending Activity loan portfolio.
- Operating expenses, of which 63 per cent are for employee related costs.
- Net claims expense (described later in the Financial Analysis by Corporate Objective section Objective 2)

CHT's interest expense is by far its largest expense. This represents the interest expense related to the outstanding Canada Mortgage Bonds (CMBs) which, as of 2006, exceeded \$95 billion.

Income Taxes

CMHC is a taxable federal Crown corporation and as such, only pays federal income tax. In 2006, CMHC's income tax expense was close to half a billion dollars, a level comparable to 2004 and 2005. While the federal income tax rate in 2007 will remain at the same level as in 2006 (33 per cent), the rate will be lower in 2008 through to 2010 (31 per cent, 30 per cent and 29 per cent respectively). Canada Housing Trust is subject to both federal and provincial income taxes on its taxable income for the period. In determining its taxable income, it is permitted a deduction for all amounts paid or payable to Canada Housing Trust's beneficiary. As all income was paid or payable to the beneficiary, no provision for income taxes for the Canada Housing Trust has been reflected in the consolidated financial statements.

Net Income

Net income in 2006 was \$1 billion for the second year in a row. Our Insurance and Securitization activities account for 100 per cent (2005 – 99 per cent) of net income mostly resulting from the favorable economic conditions in prior years. The good economic conditions brought record volumes of mortgage insurance approvals in recent years. Combined with escalating housing prices, this has translated into a high level of insurance premiums receipts. Despite the increased competition in the Canadian mortgage insurance market, CMHC does not expect a significant decline in its market share as its commitment to developing new and innovative products, its client service and its operational excellence will enable the Corporation to maintain its position as Canada's leading mortgage insurer provider.

Corporate Performance Measures	2005 Results	2006 Target	2006 Results	2007 Target
% of Planned Net Income Achieved	123	95	100	95

■ Target met or exceeded
■ Target substantially met
■ Target not met

Significant Accounting Estimates

The preparation of financial statements requires the Corporation to make estimates and assumptions that affect the reported amount of assets and liabilities, as well as the reported amount of revenues and expenses.

The area which requires the most significant estimates and assumptions is the determination of the valuation of the insurance policy liabilities which consist of the Provision for Claims and Unearned Premiums. An external actuary is appointed by management to carry out this valuation. The actuary makes assumptions as to future claim rates, average loss on claims, economic trends and also takes into consideration the nature of CMHC's insurance policies.

Retained Earnings

CMHC's retained earnings are the result of an accumulation of past profits/losses (net income/loss) and represent the federal government's investment in the Corporation.

As a federal Crown corporation, CMHC's retained earnings are consolidated annually with the financial results of the Government of Canada in the Public Accounts. CMHC's net financial results are accounted for on a fiscal basis and consolidated with the government's financial statements. This means that our net income has been recognized in the government's revenues dollar for dollar.

The *CMHC Act* and the *National Housing Act* govern the use of the Corporation's retained earnings. In particular, the retained earnings of the insurance and securitization activities may only be used for the capitalization of CMHC's Insurance and Securitization operations, for payment of a dividend to the Government of Canada, for purposes of the *National Housing Act* or the *CMHC Act*, or any other purposes authorized by Parliament relating to housing, and for retention. In the last several years, CMHC's insurance and securitization retained earnings have been used for capitalization, retention (Unappropriated Retained Earnings), and to support specific housing initiatives such as the B.C. Homeowner Reconstruction Loan Program and Quebec's Assistance Program for Owners of Pyrite-Damaged Residential Buildings.

Financial Plan Assumptions	2005 Actual	2006 Plan	2006 Actual	2007 Plan
MLS® Average Resale Price (\$)	249,311	238,000	276,974	290,600
Mortgage Rate (%)				
1-year	5.06	6.47	6.28	6.41
5-year	5.99	7.81	6.66	6.93
Unemployment Rate (%)	6.8	7.2	6.3	6.3

As CMHC's annual net income is accounted for by the Government of Canada, use of insurance or securitization retained earnings for purposes other than capitalization, retention or dividends to the Government of Canada effectively represents a new expenditure by the Government of Canada.

At present, retained earnings of the Lending activity are being kept by the Corporation as part of our strategy to deal with its interest rate risk exposure on pre-1993 loans, and to guard against fluctuations resulting from hedge accounting standards (AcG-13). These retained earnings are subject to statutory limits which, when exceeded, trigger a dividend to the Government of Canada.

Retained earnings for the Insurance activity are appropriated to meet a target level of capitalization in accordance with guidelines set out by the Office of the Superintendent of Financial Institutions (OSFI). Although not regulated by OSFI, we follow OSFI's guidelines as a prudent business practice and to maintain a level playing field with the private sector.

CMHC achieved its target level of capitalization in 2005 and maintained it throughout 2006. We expect to remain at 100 per cent of our target level of capital for the foreseeable future. While the current economic and housing conditions have been favorable to the mortgage insurance business, economic conditions are cyclical and insurance providers need to recognize and provide for this in managing their business over the long-term.

The Insurance retained earnings must also be viewed in the context of an insurance business with \$291 billion (2005 – \$ 274 billion) of policies in force. The Insurance activity's year end 2006 retained earnings set aside for capitalization only represent 1.3 per cent of this contingent liability (2005 – 1.2 per cent).

Resource Management

CMHC has a long-standing history of being efficient and cost effective, all while maintaining excellent customer service. As personnel costs comprise about 63 per cent of operating expenses, staff-year increases tend to drive our operating costs. In 2006, staff-years increased by 4 per cent (2005 – decline of 1 per cent). Modest staff year decreases are projected over the next few years along with moderate increases in operating expenses. Canada Housing Trust has no staff years and all operating expenses are reimbursed by the swap counterparties.

Related Party Transactions

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. CMHC enters into transactions with certain of these entities in the normal course of doing business.

CMHC receives approximately \$2 billion annually in the form of parliamentary appropriations for housing programs. We are required to pay the Government of Canada a fee in recognition of the government's financial backing of our insurance and securitization activities. The securitization fee was \$4 million in 2006 (2005 – \$3 million). The insurance fee is only due when CMHC is not fully capitalized and has not been required since 2004.

CMHC and CHT hold investments issued or guaranteed by the Government of Canada, such as Government of Canada bonds. Total holdings were \$7 billion (2005 – \$7 billion) and related investment income was \$261 million (2005 – \$221 million).

CMHC also owes the Government of Canada \$4.7 billion (2005 – \$ 4.9 billion) which it borrowed to fund its Loans and Investment in Housing Programs prior to 1993. Interest expense on this debt totaled \$434 million in 2006 (2005 \$451 million).

Future Accounting and Reporting Changes

The Canadian Institute of Chartered Accountants (CICA) issued three new accounting standards in 2005: Section 1530, *Comprehensive Income*, Section 3855, *Financial Instruments: Recognition and Measurement* and Section 3865, *Hedges*. These standards provide guidance on the recognition, measurement and classification of financial assets, financial liabilities and derivatives. They become effective for the Corporation on 1 January 2007.

As the Corporation has chosen not to use hedge accounting, the new standard for hedges will have no impact on CMHC. The main impacts of the other standards are as follows:

- All derivatives will now be recorded on the balance sheet at their fair value.
- The equity section of the balance sheet will contain a new component entitled "Accumulated Other Comprehensive Income".
- Financial assets and financial liabilities will now be classified into categories prescribed by the standards. The classification will dictate the accounting treatment. Some financial instruments will be measured at fair value while others will be carried at amortized cost.
- Transitional adjustments arising from the implementation of the standards will be recorded to the opening retained earnings and accumulated other comprehensive income.
- Further adjustments as a result of realized and unrealized gains and losses will impact future net income, retained earnings, other comprehensive income and accumulated other comprehensive income.

Financial Analysis by Corporate Objective

CMHC has three broad corporate objectives: 'Help Canadians in Need', 'Facilitate Access to More Affordable, Better Quality Housing for all Canadians' and 'Ensure the Canadian Housing System Remains One of the Best in the World'. In the following discussion of financial results, each business activity is presented once under the primary objective it serves.

OBJECTIVE ONE – HELP CANADIANS IN NEED

CMHC's Lending activity assists Canadians in need by providing low-cost financing for housing. The Housing Program activity transfers subsidies and contributions to Canadians to help them meet their housing needs. Approximately one-half of these subsidies and contributions are now administered by the provinces and territories through Social Housing Agreements (SHA's). In 2006, the province of British Columbia and CMHC agreed to transfer terms that brought the total number of provinces and territories for which SHA's have been signed to ten.

Housing Programs

Results Highlights	2005 Actual	2006 Plan	2006 Actual	Results Against Plan	2007 Plan
Housing Program Expenses (\$M)	1,973	2,059 ¹	2,049	99%	1,930
Operating Expenses (\$M)	103	108	109	101%	113
Appropriations (\$M)	2,076	2,167	2,158	99%	2,043

¹ The 2006 plan for Housing Programs Expenses was increased to \$2,138M as a result of the announcement of an extension of the renovation programs by one year. The 2006 Corporate Plan amendment was tabled 19 July 2006.

On an annual basis, the Corporation spends approximately \$2 billion assisting Canadians in need. Of this total, approximately \$1.8 billion (2005 – \$1.8 billion) is related to long-term commitments made in prior years with \$977 million (2005 – \$950 million) of that amount is transferred to provinces/territories under Social Housing Agreements. The Government of Canada reimburses CMHC for these expenditures through parliamentary appropriations that are approved annually.

As a result of the Government of Canada's decision to extend CMHC's renovation programs, our planned 2006 housing program expenses increased by \$79 million, from \$2,059 million to \$2,138 million. The actual expenses were \$89 million lower than revised plan due to delays in program delivery.

Lending

Results Highlights	2005 Actual	2006 Plan	2006 Actual	Results Against Plan	2007 Plan
Interest and Investment Income (\$M)	909	855	865	101%	819
Interest Expense (\$M)	898	835	858	103%	799
Operating Expenses (\$M)	18	21	18	86%	19
Net Income/(Loss) (\$M)	9	1	0	–	(4)
Reserve Fund (\$M)	143	139	143	103%	142*

* excludes transitional adjustments arising from the implementation of the financial instruments standards

Our Lending activity's main source of income is interest while its biggest expense is its borrowing cost. As it operates on a break-even basis, its net income is minimal in comparison to the Corporation's overall performance. With the introduction of a new Hedge Accounting Guideline (AcG-13) in 2004 and the ability to recover prepayment and repricing losses from the Government of Canada, fluctuations in net income can sometimes occur (fluctuations caused by AcG-13 were zero in 2006 and \$5 million in 2005; fluctuations caused by the recovery of prepayment and repricing losses were \$4 million in 2006 and zero in 2005).

AcG-13 fluctuations result from this activity's use of derivative financial instruments to mitigate market risks related to loans and borrowings. However, many of them do not meet the criteria for hedge accounting specified in AcG-13, resulting in the derivatives being adjusted to fair value on the balance sheet. This fair valuation also results in gains and losses being recognized in income. The introduction of the new accounting standards on financial instruments is expected to mitigate this volatility in 2007 and beyond.

Excluding the volatility these fluctuations have caused, the lending activity would have had a net loss of \$4 million in 2006 (2005 – Net Income of \$4 million).

CMHC is authorized to retain its annual net income from the Lending activity in a reserve fund, which currently has a limit of \$175 million, \$50 million of which is designated for fluctuations resulting from the application of AcG-13. Amounts in the reserve fund above the limit must be returned to the Government of Canada. As of 31 December 2006, the reserve fund stands at \$143 million (2005 – \$143 million) of which \$21 million (2005 – \$21 million) results from the impact of AcG-13.

Corporate Performance Measures	2005 Results	2006 Target	2006 Results	2007 Target
Annual direct lending – new business (\$M)	197	313 to 337	196	313 to 337
Annual direct lending – subsequent renewals (\$M)	1,843	1,653 to 1,778	1,811	1,653 to 1,778

■ Target met or exceeded
■ Target substantially met
■ Target not met

While new direct lending loans and renewals were above planned levels, in general, these programs have been declining over the last several years. Thus, there is a downward trend in the loan portfolio, the debt issued to fund the loans, and the interest margin earned on the loans.

OBJECTIVE TWO – FACILITATE ACCESS TO MORE AFFORDABLE, BETTER QUALITY HOUSING FOR ALL CANADIANS

Insurance and Securitization are the Corporation's commercial activities, helping Canadians access affordable mortgages. Strong housing markets and continuous leadership in products, policies and client service have helped the Corporation achieve record volumes in mortgage insurance over the last few years. The Securitization activity has also recognized record volumes in recent years. This was achieved as a result of a strong demand by issuers and investors, and the introduction of new products. As less than 20 per cent of Canadian residential mortgages are currently securitized, the demand for these products is expected to increase, as lenders will continue to require access to low cost mortgage funding.

Insurance

The Corporation is facing additional competition in its mortgage insurance market as additional U.S. based insurance companies have indicated their intention to enter the Canadian mortgage insurance market. In 2006, the Government of Canada provided the platform for growing competition in Canada by increasing the Government of Canada guarantee for private insurers from \$100 billion to \$200 billion. CMHC's insurance in force limit was also increased from \$300 billion to \$350 billion. In addition, a change to lower the minimum threshold for mandatory mortgage insurance requirements from a 25 per cent down payment to a 20 per cent down payment was proposed. If enacted, this change is not expected to have a significant impact on CMHC's volumes or net income. CMHC's public policy objective to facilitate access to more affordable, better quality housing for all Canadians will continue to be the driving force behind our product development. CMHC ensures that borrowers are charged a fair price, and does not hesitate to pass savings resulting from good economic conditions back to Canadians. Since 2003, CMHC has lowered its insurance premiums by 30 per cent, and in 2006, we eliminated the application fees on homeowner insurance

Results Highlights	2005 Actual	2006 Plan	2006 Actual	Results Against Plan	2007 Plan
Premium and Fees Revenue (\$M)	1,175	1,249	1,183	95%	1,289
Investment Income (\$M)	468	466	558	120%	493
Operating Expenses (\$M)	137	166	116	70%	133
Net Claims Expense (\$M)	119	171	209	122%	181
Net Income (\$M)	951	928	981	106%	991
Other Comprehensive Income (\$M)	N/A	N/A	N/A	N/A	60
Earnings Set Aside for Capitalization (\$M)	3,406	3,648	3,731	102%	4,433
Unappropriated Retained Earnings (\$M)	657	1,274	1,313	103%	1,608
Accumulated Other Comprehensive Income (\$M)	N/A	N/A	N/A	N/A	280

CMHC's insurance revenues consist mainly of insurance premiums, application fees and the income earned on its investment portfolio. Since we are mandated to operate our insurance business on a commercial basis, the premiums and fees we collect and the interest we earn must cover the related claims and other expenses. They must also provide a reasonable rate of return to the Government of Canada, ensuring a fair playing field with private sector insurance providers. Accordingly, our Insurance activity continues to be operated at no cost to Canadian taxpayers.

Overall, our insurance revenues do not fluctuate in response to short-term changes in economic conditions as 93 per cent of our premium revenue in a given year is attributable to premiums received in prior years. Changes in economic conditions do however affect the two components of net claims expense. The first component is the actual loss on claims paid during the year. The other is the change in the provision for claims that have already occurred but for which no claim has yet been filed. The provision for claims is an estimate based upon historical experience, prevailing legal, economic, social and regulatory trends, and expectations as to future developments (primarily in the next 12 to 18 months). It is evaluated annually by an external actuary who reviews historical experience to determine if changes are required to assumptions regarding expected claim outcomes.

As reflected in the 2006 planned figure, CMHC had anticipated an increase in net claims expense from the 2005 level due to increasing business volumes and changing economic conditions. The 2006 net claims expense was higher than planned by 22 per cent for largely the same reasons. Net claims expense follows a cyclical trend. As recently as 2001, it was \$335 million representing 45 per cent of premiums and fees revenue that year. In 2006, the expense was \$209 million, representing 18 per cent of premium and fees revenue. While net claims expense declines in good economic times, it will undoubtedly rise again when a market downturn occurs. Since the last general economic downturn, CMHC's outstanding insurance in force has risen from about 20 per cent of residential mortgage debt to more than 40 per cent today.

As noted, the economy has a significant influence on the performance of CMHC's insurance business. The good economic conditions, along with the introduction of new products and our commitment to service excellence, have resulted in successive years of escalating business volumes and corresponding premium revenues. While the Corporation is projecting increased revenues and Net Income in the near future, this is mainly due to the impact of previous year's business on the upcoming year's revenue. Regulations, competition and other issues may affect this trend beyond that point. CMHC will mitigate this by continuing to enhance and introduce new flexibilities to its insurance products.

Results Highlights	2005 Actual	2006 Plan	2006 Actual	Results Against Plan	2007 Plan
Mortgage Insurance Approvals (\$M)	96,160	75,666	86,940	115%	89,219
Premiums Received (\$M)	1,404	1,309	1,330	102%	1,505

Our mortgage insurance approvals reached an all-time high in 2005, and began to moderate as expected in 2006. Premiums received in 2006 were over \$1.3 billion compared to \$1.4 billion in 2005. Both insurance approvals and premiums received are expected to rise again in 2007 as elevated home prices continue to exist in many parts of the country.

Corporate Performance Measures	2005 Results	2006 Target	2006 Results	2007 Target
Short-term profitability: Operating Expense Ratio for Mortgage Insurance (%)	11.7	<13.4	9.8	
<ul style="list-style-type: none"> ■ Target met or exceeded ■ Target substantially met ■ Target not met 				

Our 2006 operating expense ratio was lower than planned due largely to lower expenses. These arose primarily from the decision to defer and amortize direct issuance costs. Removing this impact, 2006 results would have been in line with those of 2005.

Securitization

Results Highlights	2005 Actual	2006 Plan	2006 Actual	Results Against Plan	2007 Plan
Canada Housing Trust Revenue (\$M)	2,675	3,207	3,498	109%	3,459
Fees Revenue (\$M)	49	47	51	109%	60
Investment Income (\$M)	16	14	19	136%	18
Canada Housing Trust Expense (\$M)	2,675	3,207	3,498	109%	3,459
Operating Expenses (\$M)	5	6	3	50%	7
Net Income (\$M)	42	36	45	125%	46
Other Comprehensive Income (\$M)	N/A	N/A	N/A	N/A	
Retained Earnings (\$M)	197	223	242	109%	288
Accumulated Other Comprehensive Income (\$M)	N/A	N/A	N/A	N/A	

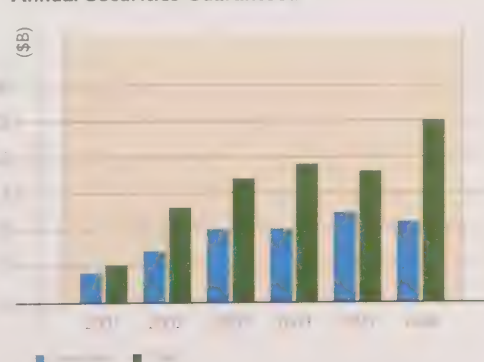
The main sources of revenue for CMHC's Securitization activity are guarantee fees, application fees and income earned on the investment portfolio. As with our Insurance activity, our securitization business is operated on a commercial basis and is expected to cover expenses and provide for a reasonable rate of return.

Securitization volumes have grown in recent years, particularly since the inception of the Canada Mortgage Bond Program in 2001. The 2006 revenues were positively impacted by growth in recent years benefiting, in part, from the introduction of a new product, variable rate Mortgage-Backed Securities, in 2004. In 2006, the Government of Canada approved an increase to the guarantee in force limit from \$300 billion to \$350 billion.

Guarantee fees are received at inception of the related security issue and recognized as income over the term of the security issue (typically 5 years). Accordingly, approximately 93 per cent of our 2006 guarantee fee revenue is attributable to fees received prior to 2006.

In 2006, net income from securitization was \$45 million, 25 per cent higher than planned and 7 per cent higher than in 2005. This increase in Net Income versus plan and 2005 actual is driven by higher issuance activity, resulting in higher guarantee fees and more investments earning income.

Annual Securities Guaranteed



Over the next 5 years, CMHC will continue to support competitive and efficient housing finance by expanding its securitization programs for the benefit of Canadian home buyers. CMHC's securitization programs help enhance liquidity in the mortgage market and improve access to lower-cost mortgages for Canadians. Through the provision to mortgage originators of broad access to cost-effective funding, new product innovations and a continued commitment to work with our industry partners, CMHC will work to improve housing affordability and choice for Canadians. The Corporation will also continue to monitor and respond to regulatory and other changes in its operating environment.

Canada Housing Trust's main source of revenue is income from the investments it holds and its main expense is interest on outstanding Canada Mortgage Bonds. The higher than expected Canada Mortgage Bonds volumes have resulted in higher than planned revenues and expenses.

Corporate Performance Measures	2005 Results	2006 Target	2006 Results	2007 Target
Short-term Profitability: Operating Expense Ratio for Securitization (%)	8.4	<11.7	6.6	<11.7
<div> <div></div> Target met or exceeded <div></div> Target substantially met <div></div> Target not met </div>				

The 2006 operating expense ratio of 6.6 per cent is lower than planned due to a combination of higher revenues and lower operating expenses, in part because of the decision to defer and amortize direct issuance costs.

OBJECTIVE THREE – ENSURE THE CANADIAN HOUSING SYSTEM REMAINS ONE OF THE BEST IN THE WORLD

CMHC is Canada's housing expert, providing a wide range of research and information products from housing market analysis to socio-economic, technical, financial and regulatory research. The Corporation's contributions in these areas support Canadians in making informed housing-related decisions. This helps as many Canadians as possible to meet their housing needs without direct government assistance and – given the importance of the residential sector to Canada's total economic performance – supports a productive, growing and sustainable economy.

In 2006, CMHC continued to honour its commitments to research and information dissemination and housing policy development. We also continued to sell our expertise abroad, generating revenues of \$1.9 million (2005 – \$1.3 million).

Risk Management

We are dedicated to achieving our public policy objectives, and applying sound risk management principles and best practices in the ongoing identification and management of the many issues impacting our business activities. Taking an enterprise risk management approach enables the Board and senior management to comprehensively assess and act on issues and opportunities within CMHC's strategic planning process. In 2006, CMHC improved key elements of the enterprise risk management process, through inputs on risk assessments and mitigating actions by broader management teams and semi-annual reporting to the Board.

GOVERNANCE AND RISK MANAGEMENT OVERVIEW

The responsibility for risk management is shared between the Board of Directors, senior management, and operational units. The Board oversees CMHC's risks at the governing level, approving risk policies and ensuring that required processes and systems are in place. CMHC's senior management monitors risks, reports to the Board on the corporation's overall risk profile, recommends financial and non-financial risk policies and oversees financial positions, risk exposures, financial strategies and performance. At the operating level, specialized risk functions exist to address legal, security, insurance and other specific financial and non-financial risks. CMHC's governance structure ensures that significant issues are elevated from the operating activities and oversight functions to Management Committee and the Board. The Management Committee is comprised of the President, Vice-Presidents, General Managers, Executive Directors, General Counsel, Corporate Secretary and Director of Audit & Evaluation Services, representing the major business units and oversight functions.

CMHC's enterprise risk management process is aimed at facilitating the identification of key issues that could have an impact on the development and achievement of corporate objectives and strategies. Given the mandate of CMHC and the commercial tools and strategies utilized to help to fulfill that mandate, CMHC is exposed to a variety of different risks across its businesses activities which are organized within three broad categories: strategic, infrastructure and specific (including financial) risks.

2006 ACHIEVEMENTS

- Began the implementation of the Management Practices Assessment recommendations which include a decision-making framework and submission process for Management Committee meetings.
- Chief Compliance Officer mapped key Treasury, Investments and Financial Risk Management business processes, with a focus on process improvements and risk identification.
- Continued focus on capital management through the implementation of a limit framework linking tolerances for investment and hedging exposures to the risk taking capacities of the Corporation's business activities.
- Acceptance of a vision and framework for talent management to ensure the Corporation is able to attract and retain the pool of talented employees it requires to achieve its business objectives.
- Implementation of personal trading guidelines intended to mitigate the potential risk of unethical trading for employees involved in or supporting the investment activities.

STRATEGIC RISKS

Strategic risks involve external events that could impact management's ability to meet CMHC's overall mandate as well as events affecting the business environment in which the Corporation operates. Strategic risks are considered by senior management and the Board of Directors when evaluating and establishing overall corporate direction and strategy. On an annual basis, the Board, with input from the Minister, holds a strategic planning meeting to analyze and address strategic issues facing CMHC, and to renew and update corporate objectives and priorities. The Board receives quarterly reports on plans and initiatives, as well as semi-annual enterprise risk landscape updates containing an overview of potentially new strategic issues and opportunities.

INFRASTRUCTURE RISKS

Infrastructure risks relate to the risk of loss of corporate knowledge (people risk), loss resulting from deficiencies in internal business processes and controls (process risk), or disruption in information systems or processing facilities (technology risk).

Effective management of CMHC's human resources is achieved through corporate initiatives such as talent and succession management and a commitment to on-going learning and development. An annual review of the total compensation package offered to employees is also conducted to ensure that we remain competitive in the market place. Effective internal procedures and processes are put in place and continually reviewed to ensure sound and timely decision-making. As technology and the business environment continuously evolve, CMHC remains committed to ongoing business process efficiency reviews and to the implementation of process improvement where and as needed.

The Corporation is faced with the ongoing challenge of maintaining and supporting key business systems such as those related to automated underwriting, securitization, treasury and market risk management. Redundant sites and processes are continually updated to ensure that mission critical systems are available under virtually all circumstances. To ensure that CMHC is able to provide service to its clients in the event of a disruption to normal business operations, Business Continuity Plans (BCP) are in place for each business function for the national and regional offices. BCP plans are reviewed regularly and appropriately tested in addition to being included in future audit plans and as an integral part of IT and corporate strategies.

Mandate

Delivering the mandate and influencing changes to the mandate.

Business Environment

Understanding and managing business environment impact.

Relational

Managing key relationships, improving client service.

Organizational

Aligning corporate efforts to achieve objectives responsibly.

People

Ability to have the right people in the right place at the right time.

Process

Managing current processes and adapting processes to support business needs.

Technology

Providing reliable technology and information systems to support business needs.

KEY FINANCIAL RISKS

CMHC is exposed to credit, market and other financial risks from various sources either directly from its investment, lending and hedging activities, or indirectly from potential claims arising from the Corporation's insurance and securitization activities. CMHC manages financial risk through appropriate exposure limits, diversification strategies, asset-liability matching, and optimization of returns. CMHC's Asset/Liability Committee (ALCO) oversees the management of the investment credit and market risks impacting the lending, insurance and securitization activities.

In 2006, CMHC's Chief Compliance Officer (CCO) completed several initiatives to ensure that the necessary controls and processes were in place over Treasury and Investment activities. In particular, the CCO mapped and analyzed key Treasury, Investment and Financial Risk Management business processes with a focus on risk identification and process improvements. This initiative also improved the identification and prioritization of key areas for regular spot-checking in the future, which is intended to assess the effectiveness and adequacy of internal controls, and to support continuous process improvements. Also during the year, CMHC's Conflict of Interest Policy has been expanded to include more specific personal trading guidelines for employees involved in or supporting investment activities.

Credit

Risk of loss associated with a counterparty or borrower failing to meet its obligations.

Market

Risk associated with fluctuations in market conditions including interest and currency rates.

Other Financial

Risk associated with operations, liquidity and achieving returns.

Credit Risk

Corporate Investment & Hedging Exposures

Insurance Activities

The major risk of financial loss to the Insurance activity is represented by the amount of future claims associated with insured mortgages relative to insurance premiums received. The overall performance of the economy is the main determinant of future claims patterns. Changes in house price levels and mortgage interest and unemployment rates, nationally and regionally, are key economic variables affecting the incidence of claims, as they are highly correlated to a borrower's ability to continue servicing their mortgage loans.

As part of the annual corporate planning process, CMHC analyses the sensitivity of Insurance activity results using dynamic financial analysis techniques. This allows CMHC to evaluate performance under various economic scenarios such as recessions or periods of high unemployment or interest rates as well as under different business conditions such as a reduction in market share or worse than expected product performance. The conclusion of this year's sensitivity analysis is that the insurance activity remains sound over the corporate planning horizon as well as under possible adverse economic and business conditions.

CMHC actively manages homeowner related insurance risk with its state of the art automated underwriting system, **emili**. Incorporated within **emili** are borrower, market, and property risk assessment models. Together, these automated models provide CMHC's underwriters with the tools to effectively identify higher-risk mortgage loan applications. The underwriters can then take further steps to determine if risk-mitigating actions would effectively reduce the overall risk to a level that is acceptable and prudent. The most effective risk mitigating actions are continually researched and updated for underwriters. CMHC continually monitors and, if necessary, adjusts its risk assessment models based on actual claims experience. These automated models also provide the required information framework for the design of new or modified mortgage insurance products and their appropriate pricing.

CMHC actively manages rental related insurance risk through detailed and thorough underwriting. Such underwriting also includes analysis and risk assessment of the borrower, market, property and loan characteristics. A standardized risk rating tool is employed by underwriters to assign a risk rating to each of these major risk components. Based upon the risk rating and complexity of the application, the underwriters take risk-mitigating actions that effectively ensure the risk being assumed is at a level that is acceptable and prudent. The risk ratings along with the size of the loan and policy considerations determine the appropriate approval authority. CMHC continually monitors, and if necessary, adjusts its risk rating model as necessary.

CMHC also manages its insurance risk through diversification. Because CMHC is active across Canada, the insured portfolio is geographically distributed as is the portfolio's mortgage default risk. Difficult economic times, which are the major

factor in higher credit losses, have historically demonstrated that they are also geographically distributed and changing over time. As well, CMHC manages its insurance risk through lender-based assessments within its Quality Assurance framework. Through this framework, CMHC works with lenders to maintain quality standards in the underwriting and servicing of their mortgage portfolios.

Securitization Activities

Through its two securitization programs, NHA Mortgage-Backed Securities (MBS) and the Canada Mortgage Bond (CMB) program, CMHC guarantees timely payment of principal and interest to investors.

Total guarantees in force to investors as of 31 December 2006 were \$129.5 billion, which includes \$95.4 billion guaranteed under the CMB program. Issuances of MBS are done by individual financial institutions, while CMBs are issued by the Canada Housing Trust (CHT).

The major risk of financial loss associated with this activity is the cost of funding guaranteed payments in an event of default, relative to the guarantee fees received. All securitized mortgages have full mortgage default insurance coverage. For MBS, the risk associated with issuer default is mitigated by both quality assessment and monitoring of the issuers and by a minimum spread requirement between the security coupon and the lowest mortgage rate in the pool. In the event of issuer default, the minimum spread is made available to a third-party issuer for the continued servicing of both underlying mortgages and the MBS payments. For CMB, in addition to the MBS mitigations above, the risk associated with swap counterparty default is mitigated through program requirements for collateralization in the event of counterparty credit ratings below specific ratings thresholds and the requirement that all principal run-off investments be rated R-1 (High) or AAA within CHT.

Insurance and Securitization Investment Portfolios

In 2006, the Insurance portfolio had a total return of 6.6 per cent, while the Securitization portfolio had a total return of 6.5 per cent. Both portfolios benefited from diversification into U.S. and EAFE equity asset classes. This strategy, adopted in 2004, added over 100 bps to CMHC's total return in 2006.

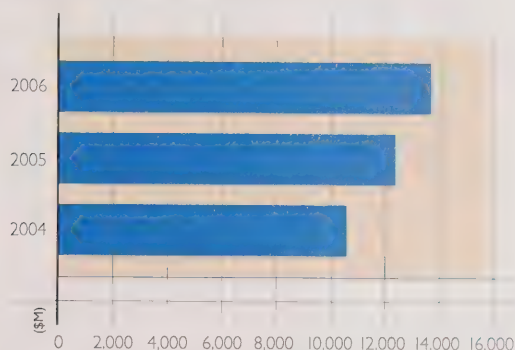
Investment Return on Insurance and Securitization Investment Portfolios

Combined Portfolios	2002	2003	2004	2005	2006
Insurance (%)	6.5	7.8	7.6	8.2	6.6
Securitization (%)	6.2	7.8	7.6	8.3	6.5
Index* (%)	5.9	8.2	7.7	8.0	6.8

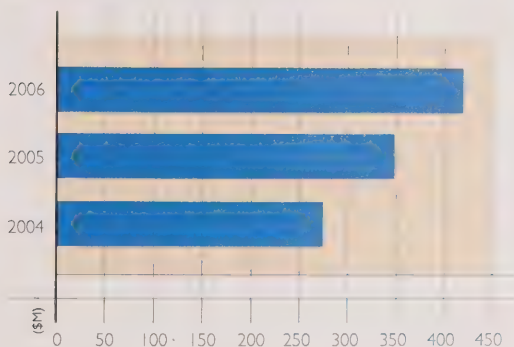
* The Combined index is based on the strategic weightings of indices for the underlying asset classes.

CMHC uses its insurance investment portfolio (insurance premiums are received when the mortgage is taken out and cover the life of the mortgage) to cover obligations associated with its provision of insurance to lenders against borrower default on residential mortgages. The investment objective of the insurance portfolio is to maximize investment returns while maintaining sufficient liquidity to meet projected business requirements, including potential future claims and other liabilities, subject to appropriate risk considerations and to the constraints outlined in CMHC's Funding, Investment and Risk Management Policies.

Insurance Investment Exposure



Securitization Investment Exposure



The size of the insurance portfolio has grown significantly over the last few years and this trend is expected to continue. In 2006, the insurance investment portfolio grew by \$1.1 billion, from \$9.7 billion to \$10.8 billion, due primarily to positive net cash inflows and asset appreciation from overall market movements. Credit exposures in the adjacent chart include investments in highly-rated short-term instruments associated with the Insurance activity's repurchase and reverse repurchase activity. This represented \$2.8 billion as of 31 December 2006, up from \$2.7 billion the previous year.

CMHC's investment portfolios that support its securitization activity are comprised of investments related to both the Mortgage-Backed Securities (MBS) program and the Canada Mortgage Bonds (CMB) program. The securitization investment portfolio has the same objective as the insurance investment portfolio.

In 2006, the securitization investment portfolio grew by \$76 million, from \$347 million to \$423 million, due to similar factors which influenced the insurance investment portfolio. As at 31 December 2006, year-to-date consolidated returns for the securitization portfolio was 6.5 per cent. Performance information, including absolute and relative risk-adjusted measures, is tracked and monitored in aggregate and at the individual asset class levels of the portfolio.

The asset allocation mix for the insurance and securitization investment portfolios, as outlined in the table below, is a key factor which contributes to the high asset quality of the Corporation. Approximately 49.0 per cent of the total assets supporting the insurance and securitization activities at year-end were invested in bonds issued or guaranteed by the Government of Canada or Canadian provinces.

Insurance and Securitization Investment Portfolios Asset Mix (%)

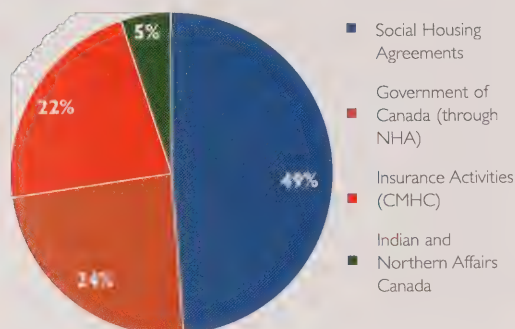
	Strategic Allocation	Insurance	Securitization
Fixed Income	78.0	77.6	77.9
Money Market	5.0	3.8	3.5
Canadian Equity	10.0	10.6	10.6
EAFE Equity	3.5	4.2	4.2
U.S. Equity	3.5	3.8	3.8
Total	100.0	100.0	100.0

Lending Activities

Loan Portfolio

Credit exposure, as reflected by the estimated fair value of loans arising from CMHC's lending activities, totaled \$14.8 billion on an outstanding loan portfolio (book value including accrued interest) of \$12.9 billion. As CMHC's mandate requires that it lend to a large number of non-profit entities, it is often not possible to attribute specific credit ratings established by independent credit agencies. This risk is offset by the fact that losses relating to defaults on these loans are largely recoverable from various levels of government.

Lending Activity: Default Recovery Mitigation



Approximately 24 per cent of CMHC's loan portfolio is covered through the recovery of losses from the federal government to the extent that such recoveries are within CMHC's parliamentary appropriations. Approximately 22 per cent of the portfolio is covered by CMHC's mortgage insurance activity. Reserves have been provided for claims that may result from these loans. Approximately 49 per cent relates to loans covered under various social housing agreements negotiated with the provinces / territories. This percentage has increased over the previous year as a result of a new social housing agreement that was signed with the Province of British Columbia in June 2006. Under these agreements, the provinces / territories have taken on the default risk associated with all loans covered in the agreements. Finally, approximately 5 per cent of the portfolio is covered by Indian and Northern Affairs Canada through Ministerial Loan Guarantees.

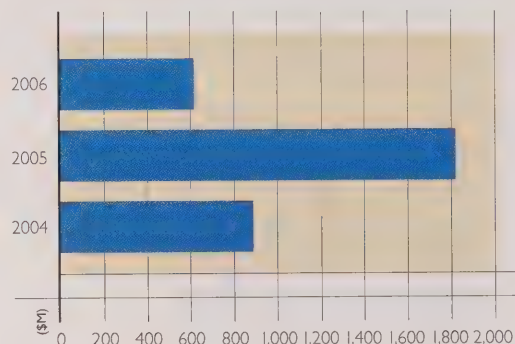
The CMHC loan portfolio has a process framework in place for default management. When a loan goes into default, a feasibility analysis is performed to determine the value of the property and collateral, and work-outs are carried out on a case-by-case basis. Every effort is made for early detection and intervention through regular reporting of projects in difficulty, application of solutions to cure defaults and an ongoing monitoring/reporting/approval process. In very rare cases where there is sufficient and compelling evidence that all possible options to cure the default have been exhausted and no viable solutions are available, CMHC will remove its support and/or subsidies.

Investments & Hedging

The investment assets related to the lending activity portfolio are distinct from those of the insurance and securitization activities. Investments relate to the reinvestment of mortgage principal received in advance of liabilities maturing (principal run-off) as well as general corporate cash management requirements. Lending activity investments are subject to more restrictive policies and guidelines in relation to acceptable levels of credit risk than the insurance and securitization activities

due to the nature of this activity. As of 31 December 2006, cash management and principal run-off investments totaled \$975 million, compared to \$1,196 million a year earlier. The main decline in investment and hedging exposures from 2005, was due to a reduction in a long bond position, a reduction in reverse-repurchase (repo) investments, and a reduction in principle run-off investments associated with various bond maturities in 2006.

Lending Activity Investment & Hedging Exposure



CMHC uses interest rate and cross currency swaps to hedge market risks related to its direct lending portfolio. Counterparty credit risks related to this activity are mitigated through stringent credit rating criteria and through the collection of collateral when the Corporation is exposed to amounts which exceed agreed-upon ratings-based thresholds. As of 31 December 2006, the net positive mark-to-market value of swap exposures was \$24.3 million, up from \$20.8 million at the previous year-end.

Market Risk

Market risk is the risk of adverse financial consequences caused by fluctuations in market conditions. It includes potential adverse impacts on CMHC's earnings and economic value due to changes in such factors as interest rates, foreign exchange rates and equity prices.

The level of market risk to which CMHC is exposed depends on both market dynamics and changes to the asset and liability mixes in its portfolios. CMHC has policies and limits in place to mitigate the influence of market risks arising from its business transacting, and asset and liability management activities. These are reviewed and amended as appropriate on an annual basis. Performance against these policies and limits is reported to the Board on a quarterly basis.

CMHC limits its risk of loss from adverse movements in interest rates and foreign exchange rates through hedging, asset and liability matching, and capital market strategies.

Insurance and Securitization

In 2006, the Corporation completed a review of its market risk measurement and control framework. This review benchmarked CMHC against industry best practices, and laid out the directions for further development. CMHC continues to assess exposure to market risks through a combination of historical and forward-looking risk measurement tools, including volatility, tracking error, sensitivity analysis, duration, and Value-at-Risk (VaR).

VaR measures the worst market loss over a specified holding period that can be expected using a specific confidence level. The following table gives the VaR of CMHC's investment portfolios with a 95 per cent confidence level over a two-week holding period.

VaR, as Percentage of Portfolio (95% confidence interval)

	Insurance & Securitization	Benchmark
Fixed Income	1.1	1.1
Domestic Equity	3.8	4.2
EAFE Equity	4.4	3.5
U.S. Equity	3.3	3.3
Overall	1.0	1.0

The majority of the Corporation's investment assets are actively managed against selected benchmarks derived from a strategic asset allocation which is evaluated on a periodic basis (most recently in 2006). CMHC limits exposure to market risk by using tolerance ranges around the benchmarks for various diversification and exposure measures.

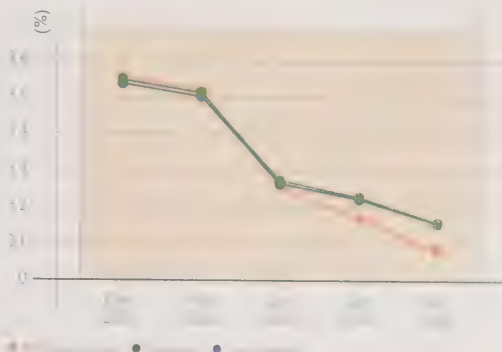
Interest Rate Risk

The majority of CMHC's insurance and securitization investment assets are held within the fixed income portfolios. As duration management is an important part of interest rate risk mitigation in fixed income portfolios, the durations of the fixed income investment portfolios are managed within ranges relative to the duration of the Scotia Capital Universe Bond Index (SCUBI) benchmark. As at 31 December 2006, the insurance and securitization fixed income portfolios had durations that were marginally longer than the benchmark.

The following chart shows the volatility of the insurance and securitization fixed income portfolios, based on rolling 36 monthly returns. The graph shows that the volatilities for both CMHC portfolios and the benchmark have decreased over 2006, and that the insurance and securitization portfolios remain consistently close to the index. The annualized volatility, based on rolling monthly returns for the past three years ending 31 December was 3.16 per cent and 3.15 per cent for

the insurance and securitization fixed income portfolios respectively. During the same period, the benchmark index recorded a volatility of 3.08 per cent. The insurance and securitization volatilities are slightly above that of the benchmark, implying the insurance and securitization fixed income portfolios have taken on slightly higher risk than the benchmark index.

Fixed Income Investment Portfolio Volatility on rolling 36 month periods

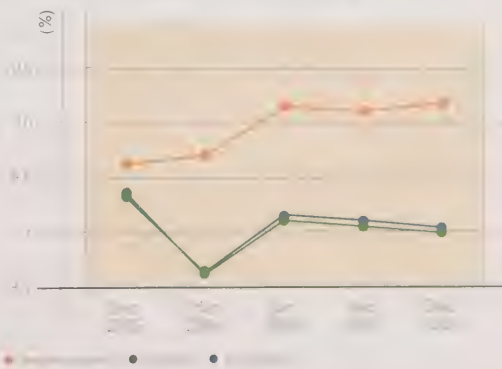


Equity Risk

The insurance and securitization portfolios are exposed to equity price risk through our domestic and foreign positions.

The following chart shows the volatility of the insurance and securitization domestic portfolios, based on rolling 36 monthly returns. The graph shows that the volatility of the insurance and securitization portfolios remain consistently below the benchmark index.

CDN Equity Investment Portfolio Volatility on rolling 36 month periods



Lending Activity

CMHC's challenge with its lending activity is to protect the fair value of its positions and to reduce the volatility of net interest margin over time. Valuations of all lending activity portfolio asset and liability positions, as well as off balance-sheet exposures, were performed quarterly during 2006, with monthly valuations beginning in 2007.

CMHC is exposed to interest rate risk when asset and liability principal and interest cash flows have different interest payments or maturity dates. The Corporation's exposure to interest rate risk depends on the size and direction of interest rate changes, and on the size and maturity of mismatched positions. CMHC's market risk is also impacted by new business volumes, loan renewals and exercise of embedded optionality such as prepayment. The Corporation's market risk is mitigated through the matching of assets and liabilities as well as by hedging foreign exchange and interest rate exposures through the use of swaps. The Corporation's exposure to prepayment and repricing risk is managed using various funding and business strategies, and covered through retaining a reserve fund to cover potential losses.

Other Financial Risks

CMHC regularly reviews changes to financial regulations, including current efforts to assess the impact of tax and hedge accounting developments, as well as capital adequacy guidelines potentially impacting financial market participants. CMHC continues to enhance its market risk management framework in line with capital adequacy and value management principles, consistent with practices employed with leading financial institutions and guidelines established by regulatory agencies.

CMHC's ability to meet its financial requirements is enhanced by its status as a Crown corporation. As such, its debt instruments are obligations of Canada and carry a 0 per cent risk weight under guidelines prescribed by the Office of the Superintendent of Financial Institutions (OSFI). The Corporation has a liquidity risk policy which includes appropriate limits and ensures that CMHC has sufficient resources to meet current and projected cash requirements. In the normal course of CMHC's business activities, the Corporation's commercial paper program provides liquidity to meet cash requirements on a daily basis. Further sources of liquidity associated with this policy include overdraft facilities, lines of credit with several institutions and cash and short-term investments in marketable securities. CMHC's credit ratings are outlined in the accompanying table.

Rating Agency	DBRS	Moody's	Standard & Poor's
Short-term	R-1 (High)	P-1	A-1 (High)
Long-term (C\$)	AAA	Aaa	AAA
Long-term (foreign currency)	AAA	Aaa	AAA

As the size of the future CMB maturities increase, CMHC will need to assess and ensure that adequate liquidity facilities are corporately available in the event that principal from a swap counterparty is not received in time for a bond maturity payment. Of note, the first maturity of the CMB program in the amount of \$2.2 billion was successfully completed in June 2006.

Lending Activities

Contributed Capital by the Government of Canada amounted to \$25 million in the lending activity as of 31 December 2006. In addition, CMHC is authorized to retain the annual net income from the activity in a reserve fund of up to \$175 million to protect the Corporation from possible future losses. Included in this limit is an amount of \$50 million designed specifically for fluctuations in net income arising from AcG-I3 (i.e. guideline to account for hedging relationships), with the remainder to cover potential prepayment loss. The current reserve fund stands at \$143 million, of which \$21 million results from the AcG-I3 guideline.

Insurance Activities

CMHC ensures the financial viability of its insurance activity by provisioning for policy liabilities in accordance with prudent actuarial practices and by setting aside earnings consistent with capitalization guidelines developed by OSFI. OSFI provides a risk-based capital adequacy framework which establishes regulatory capital requirements for Canadian property and casualty insurers, including mortgage insurers. Although not regulated by OSFI, CMHC follows OSFI's guidelines as a best-in class business practice. An annual independent external actuarial valuation ensures that reserves for policy liabilities related to all policy holder obligations in force are appropriate in accordance with accepted actuarial practice.

Securitization Activities

CMHC does not currently appropriate retained earnings for capitalization of its securitization activity. There are no comparable regulatory capital requirements for this activity as there are for Insurance. CMHC pays the Government of Canada annually a fee in recognition of its ultimate backing of the securitization guarantees. This fee is based on the amount of maximum expected losses that could be incurred for new guarantees issued each year. A one-in-twenty adverse interest rate scenario together with a swap counterparty default is used to generate maximum expected losses.

FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING


Year ended 31 December 2006

CMHC management is responsible for the integrity and objectivity of the consolidated financial statements and related financial information presented in this annual report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and, consequently, include amounts which are based on the best estimates and judgement of management. The financial information contained elsewhere in this annual report is consistent with that in the consolidated financial statements.

In carrying out its responsibilities, management maintains appropriate financial systems and related internal controls within CMHC, and controls as guarantor of Canada Housing Trust, to provide reasonable assurance that financial information is reliable, assets are safeguarded, transactions are properly authorized and are in accordance with the relevant legislation and by-laws of the Corporation, resources are managed efficiently and economically, and operations are carried out effectively. The system of internal controls is supported by internal audit, which conducts periodic audits of different aspects of the operations.

The Board of Directors, acting through the Audit Committee whose members are not officers of the Corporation, oversees management's responsibilities for financial reporting, internal control systems, and the controls as guarantor of Canada Housing Trust. The Board of Directors, upon the recommendation of the Audit Committee, has approved the consolidated financial statements.

Ernst & Young LLP, and Sheila Fraser, FCA, Auditor General of Canada, have audited the consolidated financial statements. The auditors have full access to, and meet periodically with, the Audit Committee to discuss their audit and related matters.



Karen Kinsley, CA
President and Chief Executive Officer



Anthea English, CA
Vice-President, Corporate Services and
Chief Financial Officer

23 February 2007



Auditor General of Canada
Vérificatrice générale du Canada

ERNST & YOUNG

AUDITORS' REPORT

To the Minister of Human Resources and Social Development

We have audited the consolidated balance sheet of the Canada Mortgage and Housing Corporation as at 31 December 2006 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Mortgage and Housing Corporation Act*, the *National Housing Act* and the by-laws of the Corporation.

The consolidated financial statements for the year ended 31 December 2005, shown for comparative purposes, were audited by the Auditor General of Canada and other auditors, who expressed an opinion without reservation on those statements in their report dated 17 March 2006.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ernst & Young LLP

Ernst & Young LLP
Chartered Accountants

Ottawa, Canada
23 February 2007

CONSOLIDATED BALANCE SHEET

As at 31 December

(in millions of dollars)	Notes	Consolidated		CMHC		CHT	
		2006	2005	2006	2005	2006	2005
ASSETS							
Investment in NHA Mortgage-Backed Securities	3	76,599	63,931	—	—	76,599	63,931
Investment Securities	3	12,942	11,242	10,856	10,021	2,902	1,672
Loans and Investments in Housing Programs	4	12,706	13,170	12,706	13,170	—	—
Securities Purchased Under Resale Agreements		11,290	4,040	423	112	10,867	3,928
Cash and Cash Equivalents	18	8,453	6,975	3,300	3,967	5,153	3,008
Accrued Interest Receivable		1,260	999	346	336	924	669
Accounts Receivable and Other Assets		446	233	446	233	—	—
Due from the Government of Canada		217	212	217	212	—	—
Future Income Tax Assets	5	140	143	140	143	—	—
Derivative-Related Amounts		83	74	83	74	—	—
Inventory of Real Estate		82	74	82	74	—	—
		124,218	101,093	28,599	28,342	96,445	73,208
LIABILITIES							
Canada Mortgage Bonds	6	94,667	72,075	—	—	95,483	72,526
Borrowings from the Capital Markets	6	8,625	9,467	8,625	9,467	—	—
Unearned Premiums and Fees		4,934	4,694	4,934	4,694	—	—
Borrowings from the Government of Canada	6	4,701	4,899	4,701	4,899	—	—
Securities Sold Under Repurchase Agreements		2,868	3,044	2,868	3,044	—	—
Accrued Interest Payable		1,230	922	279	247	961	681
Accounts Payable and Other Liabilities	7	897	960	896	959	1	1
Provision for Claims	8	454	479	454	479	—	—
Securities Sold But Not Yet Purchased		379	111	379	111	—	—
Derivative-Related Amounts		9	14	9	14	—	—
		118,764	96,665	23,145	23,914	96,445	73,208
Commitments and Contingent Liabilities	19						
EQUITY OF CANADA							
Contributed Capital		25	25	25	25	—	—
Retained Earnings	10	5,429	4,403	5,429	4,403	—	—
		5,454	4,428	5,454	4,428	—	—
		124,218	101,093	28,599	28,342	96,445	73,208

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors:



Dino Chiesa
Chairperson, Board of Directors



Sophie Joncas, CA
Chairperson, Audit Committee

CONSOLIDATED INCOME STATEMENT

Year ended 31 December

(in millions of dollars)										
	Notes	Consolidated			CMHC			CHT		
		2006	2005	2004	2006	2005	2004	2006	2005	2004
REVENUES										
Income from NHA Mortgage-Backed Securities		2,860	2,458	1,838	—	—	—	2,860	2,458	1,838
Premiums and Fees	8	1,234	1,224	1,135	1,234	1,224	1,135	—	—	—
Income from Investment Securities		1,156	654	479	643	529	450	539	144	52
Interest Earned on Loans and Investments in Housing Programs	11	799	864	969	799	864	969	—	—	—
Other Income		55	58	32	10	24	(7)	99	73	80
		6,104	5,258	4,453	2,686	2,641	2,547	3,498	2,675	1,970
Parliamentary Appropriations for:	11									
Housing Programs		2,049	1,973	2,006	2,049	1,973	2,006	—	—	—
Operating Expenses		109	103	101	109	103	101	—	—	—
		2,158	2,076	2,107	2,158	2,076	2,107	—	—	—
		8,262	7,334	6,560	4,844	4,717	4,654	3,498	2,675	1,970
EXPENSES										
Interest Expense	6	4,224	3,475	2,799	858	898	937	3,392	2,596	1,885
Housing Programs	11	2,049	1,973	2,006	2,049	1,973	2,006	—	—	—
Operating Expenses		298	303	305	246	263	261	106	79	85
Net Claims		209	119	51	209	119	51	—	—	—
		6,780	5,870	5,161	3,362	3,253	3,255	3,498	2,675	1,970
INCOME BEFORE INCOME TAXES		1,482	1,464	1,399	1,482	1,464	1,399	—	—	—
INCOME TAXES										
Current	5	468	493	460	468	493	460	—	—	—
Future		(12)	(31)	(11)	(12)	(31)	(11)	—	—	—
		456	462	449	456	462	449	—	—	—
NET INCOME		1,026	1,002	950	1,026	1,002	950	—	—	—

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (NOTE 10)

<i>(in millions of dollars)</i>	Unappropriated Retained Earnings	Earnings Set Aside for Capitalization	Reserve for Lending	Total
Balance 31 December 2003	123	2,237	91	2,451
Net Income	907	—	43	950
Set Aside for Capitalization	(875)	875	—	—
Balance 31 December 2004	155	3,112	134	3,401
Net Income	993	—	9	1,002
Set Aside for Capitalization	(294)	294	—	—
Balance 31 December 2005	854	3,406	143	4,403
Net Income	1,026	—	—	1,026
Set Aside for Capitalization	(325)	325	—	—
Balance 31 December 2006	1,555	3,731	143	5,429

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December

(in millions of dollars)	Consolidated			CMHC			CHT		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES									
Net Income	1,026	1,002	950	1,026	1,002	950	-	-	-
Items Not Affecting Cash or Cash Equivalents									
Amortization of Premiums and Discounts	(123)	(30)	(14)	11	32	12	(134)	(62)	(26)
Future Income Taxes	3	(31)	(11)	3	(31)	(11)	-	-	-
Market Value Adjustment for Equities	(75)	(57)	(32)	(75)	(57)	(32)	-	-	-
Gain on Sale of Investment Securities	(39)	(54)	(53)	(39)	(54)	(53)	-	-	-
Net Change in Non-cash Operating Assets and Liabilities	26	364	132	1	356	129	25	8	3
	818	1,194	972	927	1,248	995	(109)	(54)	(23)
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES									
Investment in NHA Mortgage-Backed Securities									
Sales and Maturities	23,496	15,406	9,485	-	-	-	23,496	15,406	9,485
Purchases	(36,015)	(27,901)	(27,237)	-	-	-	(36,015)	(27,901)	(27,237)
Loans and Investments in Housing Programs									
Repayments	745	706	673	745	706	673	-	-	-
Disbursements	(281)	(211)	(267)	(281)	(211)	(267)	-	-	-
Investment Securities									
Sales and Maturities	17,385	12,124	8,273	10,275	12,076	8,106	7,110	48	167
Purchases	(18,378)	(13,771)	(9,459)	(11,025)	(13,309)	(9,355)	(8,349)	(1,041)	(584)
Change in Securities Purchased Under Resale Agreements	(7,250)	(3,464)	(262)	(311)	464	(262)	(6,939)	(3,928)	-
	(20,298)	(17,111)	(18,794)	(597)	(274)	(1,105)	(20,697)	(17,416)	(18,169)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES									
Canada Mortgage Bonds									
Issuances	24,155	17,476	18,890	-	-	-	25,151	18,055	19,370
Repayments	(2,200)	-	-	-	-	-	(2,200)	-	-
Medium-term Borrowings from the Capital Markets									
Issuances	1,342	2,161	850	1,342	2,161	850	-	-	-
Repayments	(1,450)	(2,336)	(2,350)	(1,450)	(2,336)	(2,350)	-	-	-
Change in Short-term Borrowings from the Capital Markets	(783)	415	612	(783)	415	612	-	-	-
Repayments of Borrowings from the Government of Canada	(198)	(146)	(187)	(198)	(146)	(187)	-	-	-
Change in Securities Sold Under Repurchase Agreements	(176)	68	1,422	(176)	68	1,422	-	-	-
Change in Securities Sold But Not Yet Purchased	268	(10)	119	268	(10)	119	-	-	-
	20,958	17,628	19,356	(997)	152	466	22,951	18,055	19,370
Increase in Cash and Cash Equivalents	1,478	1,711	1,534	(667)	1,126	356	2,145	585	1,178
Cash and Cash Equivalents									
Beginning of year	6,975	5,264	3,730	3,967	2,841	2,485	3,008	2,423	1,245
End of year	8,453	6,975	5,264	3,300	3,967	2,841	5,153	3,008	2,423
Represented by:									
Cash	(13)	(7)	4	(13)	(7)	4	-	-	-
Cash Equivalents	8,466	6,982	5,260	3,313	3,974	2,837	5,153	3,008	2,423
	8,453	6,975	5,264	3,300	3,967	2,841	5,153	3,008	2,423
Supplementary Disclosure of Cash Flow Information									
Amount of Interest Paid During the Year	3,901	3,166	2,641	818	771	960	3,106	2,418	1,702
Amount of Income Taxes Paid During the Year	589	494	476	589	494	476	-	-	-

See accompanying notes to the consolidated financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2006

1. CORPORATE MANDATE

The consolidated financial statements include the accounts of Canada Mortgage and Housing Corporation (CMHC, or the Corporation) and Canada Housing Trust (CHT), a variable interest entity. Within the Public Accounts of Canada, the annual consolidated Net Income increases the Government's annual surplus; the consolidated Retained Earnings reduce the Government's accumulated deficit.

CMHC was established as a Crown corporation in 1946 by the *Canada Mortgage and Housing Corporation Act* (the "CMHC Act") to carry out the provisions of the *National Housing Act* (the "NHA"). It is also subject to Part X of the *Financial Administration Act* (the "FAA") by virtue of being listed on Part I of Schedule III, and is wholly owned by the Government of Canada.

The Corporation's mandate is to promote the construction, repair and modernization of housing, the improvement of housing and living conditions, housing affordability and choice, the availability of low-cost financing for housing, and the national well-being of the housing sector. The mandate is carried out through the following four activities:

Insurance: CMHC provides insurance against borrower default on residential mortgages.

Securitization: CMHC guarantees the timely payment of principal and interest for investors in securities based on insured mortgages. The CMHC Guarantee is a direct and unconditional obligation of CMHC as an agent of Canada. It carries the full faith and credit of Canada, and constitutes a direct and unconditional obligation of and by the Government of Canada.

Housing Programs: CMHC receives Parliamentary Appropriations to fund housing programs.

Lending: CMHC makes loans and investments in housing programs which are funded by borrowings. A significant number of these loans and investments are supported with housing program payments.

Canada Housing Trust was established in 2001 as an Issuer Trustee. CHT's functions are limited to the acquisition of interests in eligible housing loans such as NHA Mortgage-Backed Securities (NHA MBS), the purchase of highly rated investments, certain related financial hedging activities and the issuance of Canada Mortgage Bonds (CMB). The CMB are guaranteed by CMHC under its Securitization Activity. The beneficiaries of the Trust, after payment of all obligations, are one or more charitable organizations.

2. SIGNIFICANT ACCOUNTING POLICIES

The preparation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP) requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the Balance Sheet date, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The following are the significant accounting policies:

Basis of Presentation

These consolidated financial statements include the accounts of Canada Mortgage and Housing Corporation (CMHC) and, as required by *Accounting Guideline 15: Consolidation of Variable Interest Entities* (AcG-15), the accounts of Canada Housing Trust (CHT), a variable interest entity (VIE) for which CMHC is considered to be the primary beneficiary. The assets and liabilities of CHT are neither owned by nor held for the benefit of CMHC and are disclosed separately in the consolidated financial statements and related notes. Revenues, expenses and cash flows relating to CHT have received similar treatment. Inter-entity balances and transactions have been eliminated in the consolidated figures.

Investment in NHA Mortgage-Backed Securities and Investment Securities

	Carrying Value	Recognition of Realized Gains and Losses	Recognition of Impairment
Canada Housing Trust – Investment in NHA Mortgage-Backed Securities	Amortized cost. Premiums and discounts are deferred and amortized on a straight-line basis accelerated for unscheduled principal repayments.	Gains and losses are included in income at the time of sale.	Specific securities are written down to their market value when the decline in the value of the security is other than temporary. The resulting write-down is recorded in the year in which the impairment occurs.
Canada Housing Trust – Investment Securities	Amortized cost. Premiums and discounts are deferred and amortized using the effective interest method over the term of the related investments.	Gains and losses are included in income at the time of sale.	Specific securities are written down to their market value when the decline in the value of the security is other than temporary. The resulting write-down is recorded in the year in which the impairment occurs.
Lending – Investments held for cash management purposes and investments held to manage interest rate risk associated with lending activities.	Amortized cost. Premiums and discounts are deferred and amortized using the effective interest method over the term of the related investments.	Gains and losses are included in income at the time of sale.	Specific securities are written down to their market value when the decline in the value of the security is other than temporary. The resulting write-down is recorded in the year in which the impairment occurs.
Insurance and Securitization – Fixed income securities generally purchased with the intention to hold them to maturity to meet long-term obligations.	Amortized cost. Premiums and discounts are deferred and amortized using the effective interest method over the term of the related investments.	Net gains and losses are deferred and amortized over the remaining life of the original investment.	Specific securities are written down to their market value when the decline in the value of the security is other than temporary. The resulting write-down is recorded in the year in which the impairment occurs.
Insurance and Securitization – Equities	Cost, plus a moving average market value adjustment of 5% per quarter.	Net gains and losses are deferred and amortized to income at 5% per quarter on a declining balance basis.	Written down to their market value when the decline in the value of the portfolio is other than temporary. The resulting write-down is recorded in the year in which the impairment occurs.

Loans and Investments in Housing Programs

Loans are carried at amortized cost. Where loans contain forgiveness clauses, they are recorded net of the forgiveness that is reimbursed through Parliamentary Appropriations when the loans are advanced.

Investments in Housing Programs represent CMHC's ownership interest in various housing projects and are carried at amortized cost. Amortization is calculated on a straight-line basis over the life of the investment and represents the payment to CMHC of its initial ownership interest in the housing projects. The Corporation's portion of net operating losses and disposal losses is reimbursed through Parliamentary Appropriations.

Interest Earned on Loans and Investments in Housing Programs is recorded on an accrual basis.

Cash and Cash Equivalents

Cash and Cash Equivalents are comprised of cash and short-term, highly liquid investments with an original term to maturity of 98 days or less that are readily convertible to known amounts of cash. These investments are carried at the lower of cost and market value. Gains and losses from sales of cash equivalents are included in income at the time of sale. Cash equivalents must have a minimum credit rating of R-1 (Low).



Securities Purchased Under Resale Agreements and Sold Under Repurchase Agreements

Securities Purchased Under Resale Agreements (Reverse Repurchase Agreements) consist of the purchase of securities, typically government treasury bills or bonds, with the commitment to resell the securities to the original seller at a specified price and future date in the near term. Securities Sold Under Repurchase Agreements (Repurchase Agreements) consist of the sale of securities with the commitment to repurchase the securities from the original buyer at a specified price and future date in the near term. These items are carried at cost, plus accrued interest. Proceeds from Securities Sold under Repurchase Agreements are generally invested in Securities Purchased Under Resale Agreements or commercial paper for the purpose of generating additional income. Such transactions are entered into simultaneously with matching terms to maturity. Although the corresponding financial assets and financial liabilities have not been offset on the Consolidated Balance Sheet, the associated interest earned and interest expense are netted and included in income on an accrual basis.

Securities Sold But Not Yet Purchased

Securities Sold But Not Yet Purchased represent an obligation to deliver Government of Canada Bonds which are not owned at the time of sale. These obligations are recorded at fair value. Realized and unrealized gains and losses are included in Interest Expense.

Inventory of Real Estate

Inventory of Real Estate is carried at the lower of cost and fair value. Cost is determined as the acquisition cost, plus modernization and improvement costs where applicable. Fair value is calculated as the current market value of the property, less the discounted value of estimated holding and disposal costs.

For certain properties, net operating losses and disposal losses are reimbursed through Parliamentary Appropriations while net operating profits and disposal gains are returned to the Government of Canada.

Derivative Financial Instruments

The Corporation enters into derivative financial instruments such as interest rate swaps and foreign currency swaps in order to manage its exposures to market risks. These derivatives are only contracted with creditworthy counterparties and are not used for trading or speculative purposes.

In order for a derivative financial instrument to qualify as an eligible hedge for accounting purposes, the hedge relationship must be designated and formally documented at its inception. The particular risk management objective and strategy for the hedge, the specific asset, liability or cash flow being hedged, and how effectiveness is measured, are all formally documented. Formal assessments, both at the hedge's inception and on an ongoing basis, are also done to determine whether the derivative is highly effective in offsetting either changes in fair value or future cash flows of hedged items.

For all CHT derivative financial instruments that qualify as eligible hedges, income/expenses are recorded as adjustments to Income from NHA Mortgage-Backed Securities on an accrual basis. The related amount payable to, or receivable from, swap counterparties is included in accrued interest.

For all other derivative financial instruments that qualify as eligible hedges, income/expenses are recorded as adjustments to Interest Expense on an accrual basis. The related amount payable to, or receivable from, swap counterparties is included in accrued interest. Translation gains/losses arising on foreign currency swaps that qualify as eligible hedges are offset by translation gains/losses on the related debt.

Hedge accounting is discontinued prospectively if the hedge relationship is no longer effective, if the derivative financial instrument is no longer designated as an eligible hedge, or if the designated hedged item matures, is sold or is terminated. Deferred gains or losses associated with derivative instruments which have been terminated or cease to be effective prior to maturity are recognized in income in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished, or matures prior to the termination of the related derivative instrument, any previously deferred gain or loss on such derivative instrument is immediately recognized in income. The derivative financial instrument is then carried at fair value on the Consolidated Balance Sheet as of the date that hedge accounting is discontinued and subsequent changes in fair value are recognized in Other Income.

Derivative financial instruments that do not qualify, or have not been designated, as eligible hedges for accounting purposes are carried at fair value on the Consolidated Balance Sheet as Derivative-Related Amounts. Derivatives with a positive fair value are reported as assets, while derivatives with a negative fair value are reported as liabilities. Subsequent changes in fair value are recorded in Other Income.

Canada Mortgage Bonds

Canada Mortgage Bonds (CMB), which are issued by CHT and guaranteed by CMHC, are interest bearing bullet bonds. Coupon interest payments are made semi-annually for fixed-rate CMB and quarterly for floating-rate CMB. Principal repayments on the bonds are made at the end of the term. The bonds are recorded at the cash amount received and any premium or discount is amortized to Interest Expense using the effective interest method over the term of the debt issue. Interest is taken into expense on an accrual basis. Direct costs associated with the issuance of the bonds are expensed in the year incurred. The Approved MBS Sellers reimburse CHT for the cost of arranging financing, including the fees paid to CMHC as Guarantor and Financial Services Advisor, underwriters and others for the distribution of CMB.

Borrowings from the Capital Markets

Premiums and discounts on Borrowings from the Capital Markets are deferred and amortized using the effective interest method over the term of the debt issue. Issuance costs on borrowings from the capital markets are deferred and amortized on a straight-line basis over the term of the debt issue.

Premiums and Fees

Insurance:

Insurance premiums are due at the inception of the mortgage being insured at which time they are deferred and recognized as income over the period covered by the insurance contract using factors determined by an Appointed Actuary. These factors reflect the long-term pattern for default risk of the underlying mortgages.

Unearned premiums represent the portion of the premiums written that relates to the unexpired portion of the policy at the Balance Sheet date and therefore relate to claims that may occur from the Balance Sheet date to the termination of the insurance policies. Annually, the unearned premiums are compared to an estimate of total future claims on a discounted basis to ensure the amount is sufficient. Should such amount not be sufficient, a provision for premium deficiency would be recorded.

Application fees and direct costs associated with issuing mortgage insurance policies are deferred and amortized on the same basis as the related premiums.

Securitization:

Guarantee fees from the Securitization Activity are received at the inception of the related security issue at which time they are deferred and recognized as income over the term of the security issue on a straight-line basis.

Application fees and direct costs associated with issuing the timely payment guarantees are deferred and amortized over the term of the security issue on a straight-line basis.

Provision for Claims

The Provision for Claims represents an estimate for expected claims and the related settlement expenses, net of the related expected mortgage foreclosure proceeds, for defaults from the Insurance business that have occurred on or before the Balance Sheet date. The provision takes into consideration the estimate of losses on defaults that have been incurred but not reported, the time value of money and in accordance with accepted actuarial practice, includes an explicit provision for adverse deviation.

The establishment of the Provision for Claims involves estimates, which are based upon historical trends, prevailing legal, economic, social and regulatory trends, and expectations as to future developments. The process of determining the provision necessarily involves risks that the actual results will deviate, perhaps significantly, from the estimates made.

The loss on actual mortgage defaults and the change in the estimated Provision for Claims are recorded in Net Claims in the year in which they occur.

Income Taxes

The Corporation uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized based on the estimated tax effect of temporary differences between the carrying value of assets and liabilities on the financial statements and their respective tax bases. The Corporation uses substantively enacted income tax rates at the Balance Sheet date that are expected to be in effect when the asset is realized or the liability is settled. A valuation allowance is established, if necessary, to reduce the future income tax asset to an amount that is more likely than not to be realized.

Housing Programs

Parliamentary Appropriations for Housing Programs, and the related expenses, are recorded on an accrual basis. Those expenses incurred but not yet reimbursed are recorded as Due from the Government of Canada.

Employee Future Benefits

CMHC provides a defined benefit pension plan, a supplemental pension plan, and other post-employment benefits consisting of severance pay, life insurance and medical insurance.

Pension benefits are based on length of service and average earnings of the best five-year period as classified under defined benefit pension arrangements. The pension benefits are adjusted annually by a percentage equivalent to the total average change in the Consumer Price Index during the previous year. The obligations under employee benefit plans and the related costs are accrued, net of plan assets.

The cost of pension and other post-employment benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected long-term pension plan investment performance, salary increases, retirement ages of employees, mortality of members and expected health care costs. These assumptions are of a long-term nature, which is consistent with the nature of employee future benefits. Actual results could differ from these estimates.

Costs are determined as the cost of employee benefits for the current year's service, interest cost on the accrued benefit obligation, expected investment return on the fair value of plan assets, and the amortization of the transitional asset/obligation, the deferred past service costs and the deferred actuarial gains/losses.

The transitional asset/obligation and past service costs are deferred and amortized on a straight-line basis over the expected average remaining service period of active employees under the plans. The excess of the net actuarial gain/loss over 10% of the greater of the benefit obligation or the fair value of the plan assets is deferred and amortized on a straight-line basis over the expected average remaining service period of active employees under the plans.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the Balance Sheet date. Exchange gains and losses resulting from the translation of foreign denominated balances are included in Interest Expense.

Future Accounting Changes – Financial Instruments

The following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA) become effective for the Corporation and CHT on 1 January 2007: Section 3855 *Financial Instruments – Recognition and Measurement*, Section 3865 *Hedges*, and Section 1530 *Comprehensive Income*.

The standards require that all financial assets be classified as held for trading, available for sale, held to maturity, or loans and receivables. Financial liabilities must be classified as held for trading or other financial liabilities. On initial recognition, all financial instruments are to be measured at fair value on the Consolidated Balance Sheet. On subsequent recognition, the standards require that financial instruments classified as loans and receivables, held to maturity or other financial liabilities be measured at amortized cost using the effective interest method. Financial Instruments classified as available for sale and held for trading will continue to be measured at fair value. Changes in the fair value of held for trading financial instruments will be recognized in Consolidated Net Income, while changes in the fair value of available for sale financial assets will be recognized as Other Comprehensive Income until the financial asset is disposed of or becomes other than temporarily impaired. Comprehensive Income will comprise the Corporation's Consolidated Net Income and Other Comprehensive Income. Accumulated Other Comprehensive Income will be presented on the Consolidated Balance Sheet, net of income taxes, as a new component of Equity of Canada.

Derivatives must be recognized on the Consolidated Balance Sheet at fair value, including derivatives that are embedded in financial instruments or other contracts, but are not closely related to the host contract. Hedge accounting can be used if the hedging relationship is considered effective. If hedge accounting is used, the hedging relationship must be classified as a fair value hedge, a cash flow hedge, or a hedge of net investments in self-sustaining foreign operations. Effective 1 January 2007, the Corporation and CHT have elected not to use hedge accounting.

Transaction costs related to held for trading financial instruments must be immediately expensed to Consolidated Net Income. For financial instruments that are not classified as held for trading, the transaction costs can either be deferred and amortized using the effective interest method or immediately expensed to Consolidated Net Income.

As required by the new standards, prior periods will not be restated. Transition adjustments resulting from the adoption of these standards will be reflected in the opening balances for Retained Earnings and Accumulated Other Comprehensive Income on 1 January 2007. The determination of these transition adjustments is still in process.

Furthermore, on 1 December 2006, the CICA issued new standards: Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation*. These standards will become effective on 1 January 2008. The impact of these proposed standards is being assessed. Section 3861 *Financial Instruments – Presentation and Disclosure* will be followed for the 2007 fiscal year until the new standards are adopted.

3. INVESTMENT IN NHA MORTGAGE-BACKED SECURITIES AND INVESTMENT SECURITIES

The following table shows the maturity structure and average yield of the CHT NHA MBS. The NHA MBS maturities are estimated based on assumptions regarding mortgage prepayments and liquidations, excluding new issuance and unscheduled prepayment.

(in millions of dollars)	Term to Maturity				2006	2005
	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years		
Investment in NHA Mortgage-Backed Securities	14,126	34,290	28,183	–	76,599	63,931
Yield ⁽¹⁾	4.26%	4.22%	4.39%	–	4.29%	3.91%

(1) Represents the weighted-average yield, which is determined by applying the weighted average of the book yields of individual securities.

The following table shows the maturity structure and average yield of Investment Securities.

	Term to Maturity					
(in millions of dollars)	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	2006	2005
CMHC						
Fixed Income Securities						
Issued or Guaranteed by:						
Corporate/Other Entities	343	905	549	1,534	3,331	2,917
Government of Canada	182	318	1,206	1,331	3,037	3,164
Provinces/Municipalities	—	324	261	1,743	2,328	1,957
Sovereign and Related Entities	—	77	39	470	586	520
Total Fixed Income	525	1,624	2,055	5,078	9,282	8,558
Yield ⁽¹⁾	4.32%	4.00%	4.50%	4.63%	4.47%	4.47%
Equities (no specific maturity)						
Canadian Equities					845	798
U.S. Equities					380	351
Foreign Equities					349	314
Total Equities					1,574	1,463
Yield ⁽²⁾					3.89%	3.14%
Total CMHC					10,856	10,021
CHT						
Fixed Income Securities						
Issued or Guaranteed by:						
Corporate/Other Entities	1,666	—	—	—	1,666	629
Government of Canada	1,023	178	35	—	1,236	1,043
Total CHT	2,689	178	35	—	2,902	1,672
Yield ⁽¹⁾	4.17%	3.77%	4.01%	—	4.15%	3.38%
Inter-entity Elimination					(816)	(451)
Consolidated Total					12,942	11,242

(1) Represents the weighted-average yield, which is determined by applying the weighted-average of the book yields of individual securities.

(2) The weighted-average yield is determined by applying the stated dividend rates of equities based on the average carrying values.

The fixed income securities issued or guaranteed by the Government of Canada resulted in income of \$130 million (2005 – \$128 million, 2004 – \$132 million) for CMHC and \$58 million (2005 – \$36 million, 2004 – \$12 million) for CHT. Accrued Interest Receivable on these investments is \$23 million (2005 – \$30 million) for CMHC and \$22 million (2005 – \$12 million) for CHT.

Sales of investment securities in the Lending Activity resulted in a net gain of \$4 million in 2006 (2005 – \$6 million loss, 2004 – \$12 million gain) which has been recorded in the current year. Sales of investment securities in the Insurance and Securitization Activities resulted in a net gain of \$26 million in 2006 (2005 – \$171 million gain, 2004 – \$68 million gain) which has been deferred.

4. LOANS AND INVESTMENTS IN HOUSING PROGRAMS

CMHC makes loans and investments in housing programs either independently or jointly with provincial, territorial, and municipal authorities. Loans were issued for terms up to 50 years and \$11,390 million (2005 – \$11,845 million) are due and payable beyond five years. The majority of the investments in housing programs are being transferred to the Provinces/Territories under the Social Housing Agreements (SHAs). For the most part, the Provinces/Territories are gradually acquiring the ownership interest in the investments in housing programs by making payments to CMHC. Once fully paid, CMHC will have no remaining ownership interest.

Approximately \$12,077 million, representing 95% (2005 – \$12,485 million, or 95%) of the loans and investments in housing programs, are supported with housing program payments outlined in Note 11.

At 31 December 2006, CMHC is assured full collection of principal and accrued interest on the majority of the portfolio from the Provinces and Territories through provisions in Social Housing Agreements (2006 – 49%, 2005 – 39%), the Government of Canada through provisions in the NHA (2006 – 24%, 2005 – 25%), and Indian and Northern Affairs Canada through Ministerial loan guarantees (2006 – 5%, 2005 – 4%). The remainder of the portfolio (2006 – 22%, 2005 – 32%) is underwritten through CMHC's Insurance Activity. Provision for losses on these loans is included in the determination of Provision for Claims and Unearned Premiums.

5. INCOME TAXES

CMHC is subject to federal income tax. It is not subject to provincial income tax. The following is a reconciliation of CMHC's Income Tax Expense.

<i>(in millions of dollars)</i>	2006	2005	2004
Income Taxes Computed at Statutory Tax Rate (2006 – 33%, 2005 – 33%, 2004 – 33%)	482	455	464
Change in Tax Rates on Future Income Taxes	(15)	—	—
Permanent Differences	(6)	—	—
Other	(5)	—	—
Income Tax Expense	456	455	464

The following table presents the tax-effected temporary differences which result in future income tax assets and liabilities.

<i>(in millions of dollars)</i>	2006	2005
Future Income Tax Assets		
Market Value of Equities	108	87
Deferred Gains on Disposal of Investment Securities	57	59
Employee Future Benefits	18	15
Unamortized Premiums-on Borrowings from the Capital Markets	2	4
Other	18	19
Total Future Income Tax Assets	203	185
Future Income Tax Liabilities		
Provision for Claims	47	47
Pension Benefits	16	14
Total Future Income Tax Liabilities	63	61
Net Future Income Tax Assets	140	124

CMHC expects to realize its future income tax assets in the normal course of its operations.

CHT is subject to federal and provincial income taxes on the amount of taxable income for the period and is permitted a deduction for all amounts paid or payable to CHT's beneficiary in determining income for tax purposes. As all income was distributed to the beneficiary, no provision for income taxes has been reflected in these consolidated financial statements.

6. BORROWINGS

Canada Mortgage Bonds

CMB are fixed interest semi-annual or floating interest quarterly coupon bonds issued by CHT. The principal is payable at the maturity of the bonds. CMHC guarantees timely payment of interest and principal on CMB issued by CHT. This guarantee to investors is unconditional and irrevocable until full payment of the CMB.

The following table summarizes the carrying value and yield for the CMHC guaranteed CMB based on term to maturity.

(in millions of dollars)	2006		2005
	Carrying Value	Yield ⁽¹⁾	Carrying Value
2006	—	—	2,200
2007	12,611	4.24%	12,618
2008	20,313	4.13%	20,295
2009	13,095	4.11%	13,109
2010	19,372	4.12%	19,364
2011	30,092	4.11%	4,940
2012-2016	—	—	—
Thereafter	—	—	—
	95,483	4.13%	72,526
Inter-entity Elimination	(816)		(451)
Total	94,667	4.13%	72,075

(1) Represents the weighted-average yield, which is determined by applying the weighted average book yields of individual fixed-rate bonds and the weighted-average yields to reset of floating-rate bonds.

In order to meet the principal obligations of the CMB, the principal payments and prepayments from the underlying NHA MBS are held in an account in the name of CHT, managed and reinvested into eligible assets by the swap counterparties pursuant to contractual agreements.

Borrowings from the Capital Markets and Borrowings from the Government of Canada

Prior to 1993, Loans and Investments in Housing Programs were funded by Borrowings from the Government of Canada. Since that time, CMHC has made its borrowings solely from the capital markets as an agent of Canada. Legislative authority, which does not apply to borrowings of CHT, requires that the total indebtedness from the capital markets outstanding at any time cannot exceed \$20 billion. The Minister of Finance approves CMHC's Borrowing Plan annually and establishes limits and parameters for borrowings.

The following table summarizes the carrying value and yield for Borrowings from the Government of Canada based on repayments and for Borrowings from the Capital Markets based on term to maturity. Capital market borrowings include U.S. denominated debt. Foreign currency principal and interest payments are fully swapped to Canadian dollar obligations.

(in millions of dollars)	Government of Canada		2006 Capital Markets		2005 Carrying Value		
	Carrying Value	Yield ⁽¹⁾	Foreign Currency Borrowings ²	Carrying Value	Yield	Government of Canada	Capital Markets
2006	—	—	—	—	—	198	3,153
2007	255	8.82%	—	2,223	4.48%	255	1,258
2008	210	8.90%	1,166	1,166	4.48%	210	1,160
2009	210	8.88%	—	1,049	4.18%	210	1,049
2010	204	8.79%	1,457	1,457	3.94%	204	1,450
2011	147	8.60%	874	975	4.39%	147	100
2012-2016	1,068	8.52%	—	1,755	4.63%	1,068	1,297
Thereafter	2,607	9.44%	—	—	—	2,607	—
Total	4,701	9.07%	2,197	5,435	4.57%	4,701	5,435

(1) Represents the weighted-average yield, which is determined by applying the weighted-average book yields of individual fixed-rate borrowings and the weighted-average yields to reset of floating-rate notes.

(2) Canadian equivalent of U.S. denominated debt.

Included in capital market borrowings are commercial paper and medium-term debt. Commercial paper outstanding is \$919 million (2005 – \$1,701 million), has an original term to maturity less than 365 days, and a yield of 4.19% (2005 – 3.13%). Medium-term debt includes bonds, floating-rate and fixed-rate notes, with an original term to maturity ranging from two to ten years. Floating-rate notes represent \$300 million (2005 – \$400 million) of Borrowings from the Capital Markets.

The 2006 interest expense related to Borrowings from the Government of Canada is \$434 million (2005 – \$451 million, 2004 – \$469 million) and \$410 million (2005 – \$419 million, 2004 – \$486 million) for Borrowings from the Capital Markets.

Lines of Credit

At 31 December 2006, CMHC had \$100 million (2005 – \$100 million) of overnight overdraft facility available with its banker that had not been drawn. In addition, CMHC had \$450 million (2005 – \$450 million) in unused, uncommitted lines of credit. The lines of credit provide for loans based on Canadian prime rate and have no expiry date. During the year, CMHC has not drawn from these lines of credit.

7. ACCOUNTS PAYABLE AND OTHER LIABILITIES

The following table presents the composition of Accounts Payable and Other Liabilities.

(in millions of dollars)	2006	2005
CMHC		
Foreign Exchange Adjustment on Foreign Currency Swaps	240	293
Accrued Housing Program Expenses	224	174
Deferred Gains on Disposals of Investment Securities	213	228
Accrued Benefit Liability for Supplemental Pension Plan and Other Post-employment Benefits	90	78
Obligation Under Capital Lease	20	21
Income Taxes Payable	—	59
Other Miscellaneous Liabilities	109	—
Total CMHC	896	853
CHT	1	—
Consolidated Total	897	853

8. INSURANCE

Role of the Appointed Actuary

The actuary is appointed by CMHC's management to carry out a valuation of the policy liabilities of the mortgage insurance activity as at 30 September and to provide an opinion to management regarding their appropriateness at the valuation date. The factors and techniques used in the valuation are in accordance with Canadian accepted actuarial practice, applicable legislation, and associated regulations. The scope of the valuation encompasses the policy liabilities that consist of a Provision for Claims and Unearned Premiums. In performing the valuation of the liabilities for these contingent future events, the actuary makes assumptions as to future claim rates, average loss on claims, trends, expenses and other contingencies, taking into consideration the circumstances of CMHC and the nature of the insurance policies.

Nature of Provision for Claims

The establishment of the Provision for Claims for mortgage insurance is based on known facts and interpretation of circumstances, and is therefore a complex and dynamic process, influenced by a large variety of factors.

The following factors affect the key actuarial assumptions.

Claim emergence: Claim emergence encompasses claim frequency and claim occurrence patterns. It is based on historical trends in claims and arrears reporting.

Claim severity: Claim severity, or average loss on claims, is dependent on the dollar value of claims, losses on sales of real estate properties, administrative expenses, payment delays and sales delays. These factors are generally based on historical experience.

Economic conditions: Recent past and projected economic factors, such as unemployment rates, mortgage interest rates, and changes in house prices, affect the forecast of future claim levels.

The Provision for Claims consists of projections based on known losses and related expenses. Actual incurred amounts may not develop exactly as projected and may in fact vary significantly from the projections. Further, the projections make no provision for new classes of claims categories for which the Corporation has not accumulated sufficient historical experience.

Provisions are reviewed and evaluated at 30 September in light of emerging claim experience and changing circumstances. The resulting changes in the estimated Provision for Claims are recorded in Net Claims in the year in which they are determined.

CMHC determines Provisions for Claims and Unearned Premiums at 31 December using valuation factors from the 30 September valuation, taking into account premiums received and claims paid in the intervening period.

Change in Provision for Claims

<i>(in millions of dollars)</i>	2006	2005
Balance, Beginning of Year	479	507
Impact of Increased Business Volumes	23	13
Change in Assumptions:		
Claim Emergence	(2)	(2)
Claim Severity	(6)	1
Economic Conditions	21	(28)
Other	(61)	(12)
Balance, End of Year	454	479

The Provision for Claims is mostly affected by changes in assumptions for future claim severity. Assumptions for future claim severity rates increased by about 65 basis points in 2006 over 2005, while the estimate for future claim frequency rates decreased by about 10 basis points. House price inflation remained high. Changes in actuarial assumptions for claim frequency and future severity rates are subject to future term impacts. Other impacts included the claim settlement of some large Florida property claims.

CMHC uses Dynamic Financial Analysis (DFA) to model the impact on the Insurance Activity of adverse economic shocks, including recessions. Recessions involve a combination of adverse interest rate impacts, high unemployment rate outcomes and deteriorating house prices. The DFA analysis for CMHC's 2007-2011 Corporate Plan showed that a 1% increase in unemployment rate in 2007 would increase the Provision for Claims by more than \$100 million over current levels.

To provide a further measure of sensitivity of the change in Provision for Claims, it is estimated that for every 5% change in the estimate of future claim severity or every 5% change in the estimate of future claim frequency, the effect on Income Before Income Taxes would be an increase/decrease of approximately \$10 million.

These sensitivities are hypothetical and should be viewed in that light. The relationship of a change in assumption to the change in value may not be linear. Changes in one factor may result in changes in another which might magnify or counteract the sensitivities.

Insurance in Force

Under Section 11 of the NHA, the aggregate outstanding amount of mortgage insurance policies may not exceed \$350 billion (2005 – \$300 billion). At 31 December 2006, insurance policies in force totalled \$291 billion (2005 – \$274 billion).

9. SECURITIZATION

CMHC guarantees the timely payment of principal and interest for investors in securities issued by Approved Issuers (primarily lending institutions), on the basis of housing loans through the NHA MBS program and the CMB issued by CHT.

CMHC has determined that a provision for claims on these programs is not required. This is based on historical results and program design whereby only insured mortgages are eligible for securitization.

Guarantees in Force

Under Section 15 of the NHA, the aggregate outstanding amount of principal guarantees may not exceed \$350 billion (2005 – \$300 billion). At 31 December 2006, guarantees in force totalled \$129 billion (2005 – \$104 billion) which includes \$34 billion of CMHC guaranteed NHA MBS (2005 – \$31 billion) and \$95 billion of CMHC guaranteed CMB issued by CHT (2005 – \$73 billion) as disclosed in the following table.

(in millions of dollars)	2006	2005
Par Value	95,425	—
Unamortized Premium (Discount)	58	(24)
	95,483	—
Inter-entity Elimination	(816)	(451)
Total	94,667	—

10. RETAINED EARNINGS

Earnings Set Aside for Capitalization represent the portion of cumulative Net Income generated by the Insurance Activity that has been set aside for the purposes of being consistent with capitalization guidelines developed by the Office of the Superintendent of Financial Institutions (OSFI) and is approved annually through CMHC's Corporate Plan. Unappropriated Retained Earnings represent Net Income generated by the Insurance Activity that has not been set aside for capitalization purposes, and all of the retained earnings of the Securitization Activity.

CMHC places all other retained earnings in its Reserve for Lending. The components of this Reserve are outlined in the following table.

<i>(in millions of dollars)</i>	Authorized Limit for 2006 and 2005	2006	2005
Reserve for Fluctuations in Net Income Arising from <i>AcG-13: Hedging Relationships</i>	50	21	21
Reserve for All Other Lending-Related Items	125	122	122
Reserve for Lending	175	143	143

11. HOUSING PROGRAMS

CMHC receives Parliamentary Appropriations to fund the following payments, including operating costs, in support of housing programs.

<i>(in millions of dollars)</i>	2006	2005	2004
Non-Profit Housing	647	586	593
Public Housing	495	483	511
Affordable Housing	167	175	173
Rent Assistance	157	142	139
Rural and Native Housing	142	151	158
Renovation Programs	121	113	114
On-Reserve Housing Programs	102	99	100
Urban Native Housing Program	91	105	94
Co-operative Housing	85	83	86
Limited Dividend Program	12	12	12
Research and Information Transfer	9	10	8
Other	21	14	18
Total Housing Program Expenses	2,049	1,973	2,006
Operating Costs	109	103	101
Total Appropriations	2,158	2,076	2,107

Of the total amount spent on housing programs, \$977 million (2005 – \$950 million, 2004 – \$957 million) was provided in the form of contributions for programs transferred to Provinces/Territories under Social Housing Agreements (SHAs). These amounts are disclosed above based on the allocation within the agreements which also provide that where there may be an over-funding in one program, the Province/Territory may spend the amount on other housing programs.

Under the SHAs, the Province/Territory assumes CMHC's financial and other obligations with respect to these programs in exchange for a pre-determined annual contribution. The accountability framework requires the Province/Territory to provide an Annual Statement of Funding and Expenditures and an Annual Program Performance Report.

Housing Program Expenses also include related party transactions between the Government of Canada and CMHC for the reimbursement of:

- Interest rate losses resulting from certain loans containing interest rate clauses lower than the interest cost on the related borrowings;
- Net operating losses on certain investments in housing programs and real estate properties; and
- Net default losses on certain loans and net disposal losses on certain investments in housing programs and real estate properties.

The following table summarizes the nature of these expenses reimbursed by the Government of Canada.

<i>(in millions of dollars)</i>	2006	2005	2004
Interest Rate Losses	67	65	108
Net Operating Losses	4	3	4
Net Default and Disposal Losses	1	1	1
Total	72	69	113

The reimbursement for interest rate losses is also included in Interest Earned on Loans and Investments in Housing Programs. Net operating, default and disposal losses are recorded as Due from the Government of Canada and Housing Program Expenses on an accrual basis. The reimbursement of operating costs is shown in the Consolidated Income Statement as Parliamentary Appropriations for Operating Expenses.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are financial contracts whose value is derived from price movements in one or more underlying securities, indices or other instruments or derivatives. The Corporation uses derivatives (interest rate swaps and foreign currency swaps) in connection with its risk management activities.

Interest rate swaps are transactions in which two parties exchange interest cash flows on a specified notional amount for a pre-determined period based on agreed-upon fixed and floating rates. Notional amounts are not exchanged. The value of these swaps is derived from movements in interest rates. They are used to manage reinvestment risk, refinancing risk, or mismatches in the timing of receipts from assets versus payments of liabilities.

Foreign currency swaps are transactions in which two parties exchange currencies and interest cash flows on a specified notional amount for a predetermined period. The notional amount is exchanged at inception and at maturity. The value of these swaps is derived from movements in foreign exchange and interest rates. They are used to manage foreign exchange risk arising from foreign denominated debt.

The table below provides the notional amounts of the Corporation's derivative transactions. Notional amounts, which are off-balance sheet, serve as a point of reference for calculating payments and do not represent the fair value, or the potential gain or loss associated with the credit or market risk of such instruments.

(in millions of dollars)	Ineligible for Hedge Accounting		Eligible for Hedge Accounting	
	2006	2005	2006	2005
CMHC				
Interest Rate Swaps	15,275	15,967	300	300
Foreign Currency Swaps	—	—	3,737	2,904
Total CMHC	15,275	15,967	4,037	3,204
CHT				
Interest Rate Swaps	—	—	95,425	72,550
Consolidated Total – Notional	15,275	15,967	99,462	75,754

13. MARKET RISK

Market risk is the risk of adverse financial impact arising from changes in underlying market factors, including interest rates, foreign exchange rates, and equity prices.

Interest Rate Risk

The investment portfolios for the Insurance and Securitization Activities are managed taking into consideration the liability profile and limiting price sensitivity to interest rate changes relative to benchmark indices and by appropriate asset diversification. Interest rate risk associated with the Lending Activity is managed through asset and liability matching, hedging and capital market strategies.

Some of CMHC's Loans and Investments in Housing Programs contain prepayment and/or repricing options. As CMHC does not have the right to prepay its borrowings from the Government of Canada without penalty, it is exposed to interest rate risk.

The following table provides details regarding the consolidated exposure to interest rate risk. On- and Off-Balance Sheet financial instruments are reported based on the earlier of their contractual repricing dates or maturity dates. The effective rates shown represent historical rates for fixed rate instruments and rates to reset for floating rate instruments.

(in millions of dollars)	Within 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years	Other ⁽¹⁾	CHT	Inter-entity Elimination	2006	2005
Assets									
Investment in NHA MBS	—	—	—	—	—	76,599	—	76,599	63,931
Effective Interest Rate	—	—	—	—	—	4.29%	—	—	—
Investment Securities	665	240	3,299	5,078	1,574	2,902	(816)	12,942	11,242
Effective Interest Rate	4.42%	4.20%	4.26%	4.63%	3.74%	4.15%	—	—	—
Loans and Investments in Housing Programs	525	778	5,479	5,923	1	—	—	12,706	13,170
Effective Interest Rate	5.22%	4.91%	4.44%	7.61%	—	—	—	—	—
Securities Purchased Under Resale Agreements	423	—	—	—	—	10,867	—	11,290	4,040
Effective Interest Rate	4.13%	—	—	—	—	4.30%	—	—	—
Cash and Cash Equivalents	3,300	—	—	—	—	5,153	—	8,453	6,975
Effective Interest Rate	4.34%	—	—	—	—	4.23%	—	—	—
Derivative-Related Amounts Receive Side Instrument	424	1,548	6,403	2,794	83	—	—	11,252	10,528
Effective Interest Rate	4.52%	5.73%	4.46%	4.95%	—	—	—	—	—
Derivative-Related Amounts Pay Side Instrument	(1,339)	(1,320)	(6,060)	(2,450)	—	—	—	(11,169)	(10,454)
Effective Interest Rate	4.34%	4.75%	4.23%	4.47%	—	—	—	—	—
Other Assets	—	—	—	—	1,231	924	(10)	2,145	1,661
Total Assets	3,998	1,246	9,121	11,345	2,889	96,445	(826)	124,218	101,093
Liabilities									
Canada Mortgage Bonds	—	—	—	—	—	95,483	(816)	94,667	72,075
Effective Interest Rate	—	—	—	—	—	4.13%	—	—	—
Borrowings from the Capital Markets	1,017	1,507	4,346	1,755	—	—	—	8,625	9,467
Effective Interest Rate	4.22%	4.61%	4.22%	4.63%	—	—	—	—	—
Borrowings from the Government of Canada	100	155	771	3,675	—	—	—	4,701	4,899
Effective Interest Rate	8.82%	8.82%	8.81%	9.17%	—	—	—	—	—
Securities Sold Under Repurchase Agreements	2,868	—	—	—	—	—	—	2,868	3,044
Effective Interest Rate	4.17%	—	—	—	—	—	—	—	—
Securities Sold But Not Yet Purchased	—	—	317	62	—	—	—	379	111
Effective Interest Rate	—	—	3.93%	4.11%	—	—	—	—	—
Derivative-Related Amounts Receive Side Instrument	(612)	(635)	(2,374)	(485)	9	—	—	(4,097)	(5,499)
Effective Interest Rate	4.34%	5.27%	4.28%	4.36%	—	—	—	—	—
Derivative-Related Amounts Pay Side Instrument	573	815	2,339	379	—	—	—	4,106	5,513
Effective Interest Rate	4.58%	5.34%	4.65%	6.05%	—	—	—	—	—
Other Liabilities and Equity of Canada	—	—	—	—	12,017	962	(10)	12,969	11,483
Total Liabilities and Equity of Canada	3,946	1,842	5,399	5,386	12,026	96,445	(826)	124,218	101,093
On-Balance Sheet Gap	52	(596)	3,722	5,959	(9,137)	—	—	—	—
Off-Balance Sheet Financial Instruments									
<i>Eligible for Hedge Accounting</i>									
Pay Side Instruments	—	—	4,037	—	—	95,425	—	99,462	75,754
Effective Interest Rate	—	—	4.19%	—	—	4.29%	—	—	—
Receive Side Instruments	300	—	3,737	—	—	95,425	—	99,462	75,754
Effective Interest Rate	4.28%	—	4.84%	—	—	4.21%	—	—	—
Off-Balance Sheet Gap	300	—	(300)	—	—	—	—	—	—
Total Gap	352	(596)	3,422	5,959	(9,137)	—	—	—	—

(1) Other includes all Balance Sheet items that are non-interest sensitive or that do not have a specific maturity.

Currency Risk

All currency exposure arising from foreign denominated debt issuance is hedged in accordance with Corporate policy.

14. CREDIT RISK

Credit risk is the risk of loss arising from a counterparty's inability to fulfill its contractual obligations. CMHC is exposed to credit risk from various sources, including directly from its investment, lending and hedging transactions and indirectly from potential claims arising from the Insurance and Securitization Activities.

Credit risk associated with the Corporation's investments and derivatives is managed through the implementation of policies which include counterparty credit limits and diversification of credit risk. CHT only holds investment instruments rated R-1 high or AAA.

Derivative Financial Instruments

The following table presents the credit exposure of the derivatives by term to maturity.

(in millions of dollars)	Replacement Value ⁽¹⁾				Potential Future Credit Exposure ⁽²⁾	Total Credit Exposure	
	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years		2006	2005
CMHC							
Interest Rate Swaps	9	10	30	35	37	121	106
Foreign Currency Swaps	—	—	40	—	66	106	27
Total CMHC	9	10	70	35	103	227	133
CHT							
Interest Rate Swaps	—	301	414	—	407	1,122	1,157
Consolidated Total	9	311	484	35	510	1,349	1,290

(1) Represents the total current replacement value of all outstanding contracts with a positive fair value, before factoring in the impact of master netting agreements.

(2) Represents an add-on that is an estimate of the potential change in the market value of the transaction up to maturity which is calculated in relation to the notional principal of the contracts by applying factors consistent with guidelines issued by the Office of the Superintendent of Financial Institutions.

CMHC limits its credit risk associated with derivative transacting by dealing with swap counterparties whose credit ratings are in accordance with Department of Finance guidelines, and through the use of master netting agreements for derivatives which have been entered into with all counterparties.

CHT has executed agreements only with swap counterparties with high creditworthiness.

Collateral

Collateral agreements provide for the posting of collateral by the counterparty when CMHC's exposure to that entity exceeds a certain threshold. The fair value of collateral held by CMHC as at 31 December 2006 totalled \$13 million (2005 – \$26 million).

CHT Risks

CHT enters into swap agreements to manage the risk that the interest earned on its investments may not be sufficient to meet its CMB obligations. With these swaps, all interest payments to CMTB are made regardless of the payments made to the swap counterparties in which CHT receives payments equal to the interest it is required to pay on the CMB. CMHC requires that CHT only transact with swap counterparties of high creditworthiness that collateralize the swap agreements. CHT only enters into swap agreements with counterparties rated B+ (High) or AAA. CHT also requires the swap counterparties to provide collateralization in the event of default. The fair value of collateral held by CHT as at 31 December 2006 totalled \$68 million (2005 – \$212 million).

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table outlines the fair values of financial instruments using the valuation methods and assumptions described below. Fair value amounts are designed to represent estimates of the amounts at which instruments could be exchanged in a current transaction between willing parties.

As many of the financial instruments lack an available trading market, fair values are based on estimates using present value and other valuation techniques. These techniques are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates which reflect varying degrees of risk. Fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments. In addition, the calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values.

Interest rate changes are the main cause of changes in the fair value of financial instruments.

	2006								2005					
	CMHC			CHT			Inter-entity Elimination		Consolidated			Consolidated		
	Carrying Value	Fair Value	Fair-Value over (under) Carrying Value	Carrying Value	Fair Value	Fair-Value over (under) Carrying Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Fair-Value over (under) Carrying Value	Carrying Value	Fair Value	Fair-Value over (under) Carrying Value
(in millions of dollars)														
Assets														
Investment in NHA	—	—	—	76,599	75,958	(641)	—	—	76,599	75,958	(641)	63,931	63,321	(610)
Mortgage-Backed Securities ⁽²⁾	10,856	11,588	732	2,902	2,914	12	(816)	(822)	12,942	13,680	738	11,242	11,845	603
Investment Securities ⁽¹⁾														
Loans and Investments in Housing Programs ⁽²⁾	12,706	14,774	2,068	—	—	—	—	—	12,706	14,774	2,068	13,170	15,300	2,130
Securities Purchased Under Resale Agreements ^(1,3)	423	423	—	10,867	10,867	—	—	—	11,290	11,290	—	4,040	4,040	—
Cash and Cash Equivalents ^(1,3)	3,300	3,300	—	5,153	5,153	—	—	—	8,453	8,453	—	6,975	6,975	—
Accrued Interest Receivable ⁽¹⁾	346	346	—	924	924	—	(10)	(10)	1,260	1,260	—	999	999	—
Accounts Receivable and Other Assets ⁽¹⁾	446	446	—	—	—	—	—	—	446	446	—	233	233	—
Due from the Government of Canada ⁽²⁾	217	217	—	—	—	—	—	—	217	217	—	212	212	—
Derivative-Related Amounts ⁽²⁾	83	83	—	—	—	—	—	—	83	83	—	74	74	—
Liabilities														
Canada Mortgage Bonds ⁽²⁾	—	—	—	95,483	95,447	(36)	(816)	(822)	94,667	94,625	(42)	72,075	72,211	136
Borrowings from the Capital Markets	8,625	8,622	(3)	—	—	—	—	—	8,625	8,622	(3)	9,467	9,514	47
Borrowings from the Government of Canada ⁽²⁾	4,701	6,638	1,937	—	—	—	—	—	4,701	6,638	1,937	4,899	7,037	2,138
Securities Sold Under Repurchase Agreements ^(1,3)	2,868	2,868	—	—	—	—	—	—	2,868	2,868	—	3,044	3,044	—
Accrued Interest Payable ⁽²⁾	279	279	—	961	961	—	(10)	(10)	1,230	1,230	—	922	922	—
Accounts Payable and Other Liabilities ⁽³⁾	896	896	—	1	1	—	—	—	897	897	—	960	960	—
Securities Sold But Not Yet Purchased ⁽¹⁾	379	379	—	—	—	—	—	—	379	379	—	111	111	—
Derivative-Related Amounts ⁽²⁾	9	9	—	—	—	—	—	—	9	9	—	14	14	—
Off-Balance Sheet Financial Instruments⁽⁴⁾														
<i>Eligible for Hedge Accounting</i>														
Positive Fair Value		41	41	—	715	715	—	—	—	756	756	—	794	794
Negative Fair Value		342	342	—	106	106	—	—	—	448	448	—	414	414

(1) Fair values are determined by reference to quoted market prices.

(2) Fair values are estimated using net present value analysis.

(3) Fair values are equal to carrying values.

(4) Fair values are estimated using net present value analysis including accrued interest and unrealized foreign exchange gains/losses.

Methodology and Assumptions:

Where quoted market prices are not available, the fair value is estimated by discounting the remaining contractual cash flows at market interest rates currently offered for instruments with similar terms and risks. The fair value of accrued interest is disclosed separately from the related asset or liability.

The total change in fair value for Derivative-Related Amounts during the year was \$14 million (2005 – \$18 million, 2004 – \$10 million). This amount is included in Other Income.

16. EMPLOYEE FUTURE BENEFITS

CMHC provides a defined benefit pension plan, a supplemental pension plan and other post-employment benefits.

The accrued benefit asset for the defined benefit pension plan is included in Accounts Receivable and Other Assets. The total accrued benefit liability for the supplemental pension plan and for the other post-employment benefits is included in Accounts Payable and Other Liabilities. The net benefit plan cost recognized is included in Operating Expenses.

Other post-employment benefits were amended to increase benefits which resulted in \$3 million of past service costs at 31 December 2006.

Total cash payments for employee future benefits were \$9 million (2005 – \$9 million, 2004 – \$14 million). They include contributions by CMHC to its defined benefit pension plan and payments for the unfunded supplemental pension plan. Also therein are disbursements for other post-employment benefits, which consist of payments to a third-party service provider on behalf of retired employees and payments made directly to employees, their beneficiaries or estates.

Information about the employee future benefits is as follows:

(in millions of dollars)	Pension Plans		Other Post-Employment Benefits	
	2006	2005	2006	2005
Accrued Benefit Obligation				
Balance, Beginning of Year	1,112	984	122	98
Current Service Cost	22	18	3	2
Employees' Contributions	5	5	–	–
Interest Cost	56	56	6	6
Benefits Paid	(52)	(51)	(3)	(3)
Actuarial Loss (Gain)	11	100	(1)	19
Plan Amendments	–	–	3	–
Balance, End of Year	1,154	1,112	130	122
Fair Value of Plan Assets				
Balance, Beginning of Year	1,139	1,042	–	–
Actual Return on Plan Assets	159	137	–	–
Employer's Contributions	6	6	3	3
Employees' Contributions	5	5	–	–
Benefits Paid	(52)	(51)	(3)	(3)
Balance, End of Year	1,257	1,185	–	–
Funded Status – Plan Surplus (Deficit)	103	73	(130)	(122)
Unamortized Net Actuarial Loss	36	123	31	33
Unamortized Past Service Costs	44	–	3	–
Unamortized Transitional Obligation (Asset)	(120)	–	24	–
Accrued Benefit Asset (Liability)	63	106	(72)	(119)

Included in pension plans are the following amounts in respect of an unfunded supplemental pension plan.

(in millions of dollars)	Supplemental Pension Plan	
	2006	2005
Fair Value of Plan Assets	-	-
Accrued Benefit Obligation	30	28
Funded Status – Plan Deficit	30	28

The plan assets and the accrued benefit obligation were measured for accounting purposes as at 31 December 2006. The most recent actuarial valuation for funding purposes was done 31 December 2005, and the next regularly scheduled valuation will be no later than 31 December 2008. In performing the actuarial valuations of the pension plans and the other post-employment benefits, the following assumptions were adopted:

	2006	2005
Accrued Benefit Obligation:		
Discount Rate	5.00%	5.00%
Rate of Compensation Increase	2.50%	2.50%
Benefit Costs:		
Discount Rate	5.00%	5.75%
Rate of Compensation Increase	2.50%	2.75%
Long-Term Rate of Return on Plan Assets	5.50%	5.75%
Average Remaining Service Period for Pension Plans	10 years	10 years
Average Remaining Service Period for Other Post-employment Benefits	12 years	13 years

An 8.9% (2005 – 8.4%) increase in health care costs was assumed for 2006, with 0.4% (2005 – 0.4%) average decreases per year thereafter to an ultimate trend rate of 5.1% which is expected to be achieved by 2015.

The following table shows the impact of changes in the assumptions.

(in millions of dollars)	Increase (Decrease) in Accrued Benefit Obligation	Increase (Decrease) in Net Benefit Costs
0.5% Increase/Decrease in Discount Rate	(85)/91	(2)/2
0.5% Increase/Decrease in Rate of Compensation Increase	13/(13)	2/(2)
0.5% Increase/Decrease in Long-Term Rate of Return on Plan Assets	-	(6)/6
1.00% Increase/Decrease in Health Care Cost Trend Rates	16/(13)	2/(2)

CMHC's annual net benefit plan costs are as follows:

(in millions of dollars)	Pension Plans			Other Post-employment Benefits		
	2006	2005	2004	2006	2005	2004
Costs Incurred during the Year						
Current Service Cost, Net of Employees' Contributions	22	-	-	3	-	-
Interest Cost	56	-	-	6	-	-
Actual Return on Plan Assets	(159)	-	-	-	-	-
Actuarial (Gain) Loss on Accrued Benefit Obligation	11	-	-	(1)	-	-
Plan Amendments	-	-	-	3	-	-
Total Costs before Adjustments	(70)	37	(34)	11	27	5
Adjustments to Recognize the Long-term Nature of Employee Future Benefit Costs						
Difference between Expected and Actual Return on Plan Assets	98	-	-	-	-	-
Difference between Actuarial (Gain) Loss Recognized and Actual Actuarial (Gain) Loss on Accrued Benefit Obligation	(11)	-	-	3	-	-
Amortization of Past Service Costs	9	-	-	-	-	-
Amortization of the Transitional Obligation (Asset)	(30)	-	-	3	-	-
Plan Amendments	-	-	-	(3)	-	-
Total Adjustments	66	-	-	3	-	-
Net Benefit Plan Cost (Revenue) Recognized	(4)	-	-	14	-	-

Information on the defined benefit pension plan assets is as follows:

Category of Plan Assets	Percentage of Fair Value of Total Plan Assets	
	2006	2005
Short-term Investments	1.35%	1.47%
Bonds and Debentures ⁽¹⁾	20.08%	20.25%
Equities	64.64%	64.31%
Real Return Securities ⁽²⁾	4.24%	4.86%
Real Estate	9.69%	9.11%
Total	100.00%	100.00%

(1) Includes \$17 million (2005 – \$14 million) in CMHC and \$62 million (2005 – \$70 million) in its related parties.

(2) Includes \$33 million (2005 – \$27 million) in CMHC related parties.

The interest paid by CMHC to the pension plan amounted to nil in 2006 (2005 – \$1 million, 2004 – \$1 million). In 2006, there was a net charge in the amount of \$3 million (2005 – \$4 million, 2004 – \$3 million) from CMHC to the pension plans for administrative services.

17. SEGMENTED INFORMATION

As described in Note 1, the consolidated financial results include the accounts of CMHC's four activities (Insurance, Securitization, Housing Programs and Lending Activity), each of which provides different programs in support of CMHC's objectives, and the Canada Housing Trust. The financial results of each activity are determined using the accounting policies described in Note 2. The Lending Activity includes certain corporate items that are not allocated to each activity. The Housing Program activity includes reimbursements to the Lending Activity as described in Note 11. These reimbursements are not eliminated in the table below.

(in millions of dollars)	Insurance		Securitization		Housing Programs		Lending		Canada Housing Trust		Elimination of Inter-Segment Items		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
REVENUES														
Income from NHA MBS	—	—	—	—	—	—	—	—	2,860	2,458	—	—	2,860	2,458
Interest Earned on Loans and Investments in Housing Programs	—	—	—	—	—	—	799	864	—	—	—	—	799	864
Income from Investment Securities	558	468	19	16	—	—	66	45	539	144	(26)	(19)	1,156	654
Premiums, Fees, Parliamentary Appropriations and Other Income	1,184	1,178	49	48	2,158	2,076	11	22	99	73	(54)	(39)	3,447	3,358
	1,742	1,646	68	64	2,158	2,076	876	931	3,498	2,675	(80)	(58)	8,262	7,334
EXPENSES														
Interest Expense	—	—	—	—	—	—	858	898	3,392	2,596	(26)	(19)	4,224	3,475
Operating Expenses	116	137	3	5	109	103	18	18	106	79	(54)	(39)	298	303
Housing Programs and Net Claims	209	119	—	—	2,049	1,973	—	—	—	—	—	—	2,258	2,092
	325	256	3	5	2,158	2,076	876	916	3,498	2,675	(80)	(58)	6,780	5,870
Income Taxes	436	439	20	17	—	—	—	6	—	—	—	—	456	462
NET INCOME	981	951	45	42	—	—	—	9	—	—	—	—	1,026	1,002
ASSETS														
Investment in NHA MBS	—	—	—	—	—	—	—	—	76,599	63,931	—	—	76,599	63,931
Direct Lending Loans	—	—	—	—	—	—	8,127	8,354	—	—	—	—	8,127	8,354
Other Loans and Investments in Housing Programs	—	—	—	—	—	—	4,579	4,816	—	—	—	—	4,579	4,816
Investment Securities	9,834	8,741	392	314	—	—	630	966	2,902	1,672	(816)	(451)	12,942	11,242
Other Assets	3,546	3,393	45	36	—	—	1,461	1,746	16,944	7,605	(25)	(30)	21,971	12,750
	13,380	12,134	437	350	—	—	14,797	15,882	96,445	73,208	(841)	(481)	124,218	101,093
LIABILITIES														
Canada Mortgage Bonds	—	—	—	—	—	—	—	—	95,483	72,526	(816)	(451)	94,667	72,075
Borrowings from the Capital Markets	—	—	—	—	—	—	8,625	9,467	—	—	—	—	8,625	9,467
Borrowings from the Government of Canada	—	—	—	—	—	—	4,701	4,899	—	—	—	—	4,701	4,899
Unearned Premiums and Fees	4,754	4,548	180	146	—	—	—	—	—	—	—	—	4,934	4,694
Other Liabilities	3,582	3,523	15	7	—	—	1,303	1,348	962	682	(25)	(30)	5,837	5,530
	8,336	8,071	195	153	—	—	14,629	15,714	96,445	73,208	(841)	(481)	118,764	96,665
EQUITY OF CANADA	5,044	4,063	242	197	—	—	168	168	—	—	—	—	5,454	4,428

18. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada owned corporations. CMHC enters into transactions with certain of these entities in the normal course of business. These transactions are recorded at the exchange amount, which is the amount agreed to by the related party. All related party transactions are either disclosed below or in relevant notes.

- a) In addition to the Investment Securities disclosed in Note 3, CMHC and CHT hold cash equivalents issued or guaranteed by the Government of Canada of \$52 million (2005 – \$192 million), and \$2,046 million (2005 – \$1,227 million). These cash equivalents resulted in investment income of \$1.3 million (2005 – \$1.3 million, 2004 – \$1.8 million) and \$60 million (2005 – \$45 million, 2004 – \$32 million) for CHT. Accrued interest for CMHC and CHT was \$10 million (2005 – nil) for CMHC and \$10 million (2005 – \$3 million) for CHT.
- b) CMHC pays the Government of Canada fees in recognition of the Government's financial backing of the Insurance and Securitization Activities. The fees, which are recorded in Other Income, amounted to \$4 million (2005 – \$3 million, 2004 – \$2 million) for Securitization and nil (2005 – nil, 2004 – \$19 million) for the Insurance Activity. The fee for the Insurance Activity is nil because CMHC's Earnings Set Aside for Capitalization equal 100% of its target capital level calculated in accordance with guidelines set out by OSFI.
- c) In exchange for real estate transferred to Canada Lands Company CLC Limited in 1998 and 1999, CMHC holds notes receivable of \$44 million (2005 – \$43 million) including accrued interest at 7.35% due by 2014.

19. COMMITMENTS AND CONTINGENT LIABILITIES

- a) Commitments outstanding for Loans and Investments in Housing Programs, net of forgiveness, amounted to \$359 million at 31 December 2006 (2005 – \$75 million) and are normally advanced within a two-year period.
- b) Commitments outstanding for advances to insured assisted housing projects in financial difficulty amounted to \$59 million at 31 December 2006 (2005 – \$52 million) and are normally advanced within a ten-year period.
- c) Total remaining contractual financial obligations for Housing Programs extend for periods up to 33 years (2005 – 34 years).

Estimated obligations are as follows:

(in millions of dollars)	2007	2008	2009	2010	2011	2012 and Thereafter
	1,775	1,687	1,681	1,673	1,660	19,287

- d) In addition to the lines of credit disclosed in Note 6, CMHC has a \$62 million (2005 – \$55 million) letter of credit outstanding.
- e) There are legal claims of \$12 million (2005 – \$11 million) against CMHC. Due to the uncertainty of the outcome of these claims, no provision for loss has been recorded.

20. COMPARATIVE FIGURES

Comparative figures have been reclassified to conform to the 2006 financial statement presentation.

GLOSSARY AND CONTACT INFORMATION

Glossary of Performance Measures

Glossary of Terms

CMHC Offices

Glossary of Performance Measures

OBJECTIVE 1: HELP CANADIANS IN NEED

Corporate Measure	Definition
Affordable Housing Initiative expenditures (\$ millions)	Federal expenditures incurred under the \$1 billion Affordable Housing Initiative. Subject to federal criteria, provinces and territories are responsible for designing and delivering their programs.
Annual direct lending – new business (\$ millions)	Loans provided to social housing sponsors at break-even levels. These loans are funded from borrowings from capital markets. New business arises as existing or new projects are financed with CMHC for the first time.
Annual direct lending – subsequent renewals (\$ millions)	Loans provided to social housing sponsors at break-even levels. These loans are funded from borrowings from capital markets. Subsequent renewals consist of projects previously funded under the Direct Lending Activity.
Delivery of on-reserve programs and services through First Nations or Aboriginal organizations (%)	<p>Percentage of CMHC Aboriginal housing programs and services provided by Aboriginal contractors or organizations.</p> <p>Calculated as the average of the following:</p> <ul style="list-style-type: none"> a) % of RRAP accounts delivered by Aboriginal organizations based on units; b) % of Section 95 commitment inspections and Physical Condition Reviews carried out under the Native Inspection Services Initiative based on units; c) % of Aboriginal Capacity Development service contract dollars paid to Aboriginal service providers.
Mortgage insurance approvals of public-private partnership facilitated (units)	Affordable housing projects facilitated through the Partnership Centre and CMHC's mortgage insurance with lower premiums and more flexible underwriting criteria. Affordable housing projects are those with more than one-half the units priced below the 80th percentile rents.
On-reserve non-profit new commitments (units)	Number of new housing units approved under the non-profit rental program for First Nations communities.
Public-private partnerships facilitated (units)	Partnership projects are those which have been provided with seed funding or interest-free proposal development funding loans, and/or significant CMHC Partnership staff support to assist in the development of affordable housing. Includes but is not limited to projects financed with CMHC-insured loans. The calculation is based on the national total number of affordable housing units and beds contained in Partnership projects.
Renovation Programs (units)	Units committed under CMHC's suite of renovation programs, including the Residential Rehabilitation Assistance Program, Emergency Repair Program, Housing Adaptations for Seniors' Independence program, and Shelter Enhancement Program.

OBJECTIVE 2: FACILITATE ACCESS TO MORE AFFORDABLE, BETTER QUALITY HOUSING FOR ALL CANADIANS

Corporate Measure	Definition
Annual securities guaranteed (\$ millions)	Mortgage-Backed Securities (MBS) issued directly into capital markets and Mortgage Bonds issued for the year
Attendees at housing outlook conferences and seminars who found them useful (%)	Percentage of attendees at housing outlook conferences and seminars who found the event as either useful or very useful (3 or 4 on a 5-point scale) in a research survey administered following the event
Forecast accuracy of housing starts (%)	The percentage difference between CMHC's initial start forecast and the actual annual starts for the same year
Information transfer seminar attendees who found them useful (%)	Percentage of attendees at seminars and workshops who found the seminar useful or very useful (4 or 5 on a 5-point scale) in a survey administered following the event
Ranking of housing start forecast accuracy among forecasters	The ranking of CMHC's annual housing starts forecast among industry forecasters, where 1 is the most accurate
Recipients of market analysis publications who found them useful (%)	Percentage of subscribers to market analysis publications who found the publication as either useful or very useful (3 or 4 on a 4-point scale) in a survey conducted in 2006
Recipients of newly-published About Your House fact sheets who found them useful (%)	Percentage of clients who ordered an About Your House fact sheet from the CMHC Order Desk who rated the fact sheets as either useful or very useful (4 or 5 on a 5-point scale) in a phone survey in 2006
Recipients of newly-published Research Highlights who found them useful (%)	Percentage of clients who are on the Research Highlights Economic series distribution lists who rated the highlights as either useful or very useful (4 or 5 on a 5-point scale) in a phone survey in 2006
Short-term profitability: Operating expense ratio for mortgage insurance (%)	The ratio of operating expenses to total premiums and fees revenue earned. $\frac{\text{(Operating expenses)}}{\text{(earned premiums + fees revenue)}}$
Short-term profitability: Operating expense ratio for securitization (%)	The ratio of operating expenses as a percentage of total revenue. $\frac{\text{(Operating expenses + Canada Mortgage Bonds related fees)}}{\text{(guarantee fees earned + application fees + Services Advisor fees earned from Canada Housing Trust)}} \times 100$
Total mortgage insurance approved (units)	Total mortgage insurance applications approved
Total mortgage insurance units approved to address less served markets and/or support specific government priorities (%)	Percentage of total mortgage insurance approvals in rural areas, single industry towns, on-reserve, for rental accommodation (retirement homes), for energy efficient homes, for affordable housing or products where CMHC is the only mortgage insurer or is relatively less active.

OBJECTIVE 3: ENSURE THE CANADIAN HOUSING SYSTEM REMAINS ONE OF THE BEST IN THE WORLD

Corporate Measure

Definition

Overall and unaided awareness of CMHC (%)

Percentage of consumers able to recognize CMHC as Canada's national housing agency.

Awareness is measured through telephone surveys conducted in each of the six major Census Metropolitan Areas targeted by CMHC's consumer advertising campaign. Within each of the Census Metropolitan Areas, 500 interviews are completed among consumers involved in the home-buying and/or renovation process. Awareness tracking surveys are completed within one week following the completion of the nationally planned consumer advertising campaigns. Overall awareness includes unaided awareness and those consumers who were prompted during the survey with the following question: "CMHC, also known as Canada Mortgage and Housing Corporation, is Canada's national housing agency. Have you ever heard of CMHC?" Unaided awareness is the percentage of consumers able to name, without prompting CMHC as Canada's national housing agency.

Overall satisfaction rate of key export clients (%)

Percent of CMHC International's clients who are satisfied with export advice and service they receive from CMHC trade consultants, as derived from a survey of CMHC's key clients (150-200) conducted by an independent consultant. Satisfied clients rank 4 or 5 on a scale of 1 to 5 for overall satisfaction.

Retention rate of recent recruits (%)

Percentage of regular employees hired in the last 3 to 5 years (2001 to 2003) who remained in CMHC's service at the end of 2006.

Revenue from selling CMHC's expertise abroad (\$M)

Revenues earned from consulting services in the area of housing and housing finance provided to international clients.

Value of CMHC-facilitated sales reported by export clients (\$M)

Value of international sales by CMHC's export clients that the clients themselves attribute to CMHC facilitation/assistance.

Glossary of Terms

Aboriginal Capacity Development – To facilitate, by sharing CMHC knowledge and experience with Aboriginal groups, the development of appropriate infrastructure and governance capability for Aboriginal Peoples to run their own housing systems and ensure sustainability of the final product.

Benchmark Index – A benchmark provides an objective point of reference for performance measurement. CMHC's benchmarks for the insurance and securitization investment portfolios are the Scotia Capital Universe Bond Index (fixed income portfolios); the Scotia Capital 91-day Treasury-Bill Index (money market portfolios); the total return of the Standard and Poor's/Toronto Stock Exchange (S&P TSX) Composite Index (equity portfolios); the total return of the Standard & Poor's 500 (for the U.S. equity portfolios); and the total return of the Morgan Stanley Capital International (MSCI) – Europe, Australasia, and Far East Index (for the international equity portfolios).

Brownfield Redevelopment – Redevelopment/adaptive reuse of contaminated sites and buildings previously used for industrial or commercial purposes.

Canada Housing Trust (CHT) – A special purpose trust created to issue Canada Mortgage Bonds.

Canada Mortgage Bonds (CMB) – A guaranteed semi-annual coupon, bullet-maturity (repayment of principal upon maturity) bond product issued by a special purpose trust, known as Canada Housing Trust (CHT).

CMHC Act – An act to incorporate Canada Mortgage and Housing Corporation to provide, among other things, CMHC's constitution, conduct of business and objects and powers.

Commercial Paper – A type of corporate short-term borrowing with a term to maturity of up to one year.

Compliance – A term used in reference to conformity to established policies, which define the risk tolerance of the Corporation.

Co-operative Housing Program – This program provides assistance to co-operative housing projects to own and operate housing for low- and moderate-income households. New commitments were terminated after 1991.

Core Housing Need – When a household that does not meet one or more of the following criteria and cannot afford to purchase a home that is less than 30 per cent of income, it is in "core housing need." When a household is regarded as "accepting" the need, it is in "core housing need standard."

1. affordable, defined as costing no more than 30 per cent of before-tax household income;
2. residents reporting that no one in the household is in poor health (i.e. the home is sound); and
3. suitable in size and condition for the make-up of the household.

Credit Rating – Credit rating is a measure of the creditworthiness of an obligor or a financial obligation. It takes into account the creditworthiness of guarantors, insurers, or other parties involved in the obligation and the nature of the obligation itself.

Derivatives – A financial instrument whose value is derived from the price movement of an underlying security, commodity, or other instrument or index.

Direct Lending – Loans provided to borrowers at break-even levels. These loans are not guaranteed by the Corporation and are not insured by the Canada Mortgage Insurance Corporation.

Duration – A measure of the average time to maturity for an expected stream of cash flows. It is a measure of the sensitivity of the value of an investment (i.e. shorter duration means less sensitivity to changes in interest rates).

Dynamic Financial Analysis (DFA) – A financial analysis that uses a holistic approach to assess the financial health of the Corporation.

It involves the use of a variety of possible scenarios, showing how the Corporation's financial position may be affected by changing business conditions.

Investment and Hedging Exposure – The Corporation's exposure to the value of its investments in debt and equity securities. The Corporation's reporting of its investment and hedging exposures are based on the fair value of the transactions, exposures are reported on a net basis (i.e. only positive amount is reported, net of any offsetting agreements) on a counterparty basis.

Limited-dividend – A program where a company is incorporated to construct, hold and manage a low rental housing project, the dividends payable by which are limited by the terms of its charter or instrument of incorporation to five per cent per annum or less.

Mark-to-Market – The valuing of financial instruments at market trading prices.

National Housing Act (NHA) – An Act to promote the construction of new houses, the repair and modernization of existing houses, and the improvement of housing and living conditions. CMHC was established to carry out the provisions of the NHA.

National Housing Act Mortgage-Backed Securities (NHA MBS) – An undivided interest in a pool (group) of insured residential mortgages. These financial instruments are secured by the value of underlying real estate and credit enhanced by mortgage insurance.

Non-profit Housing – This program provides assistance to public or private non-profit organizations who own and operate housing for low- and moderate-income households. New commitments were terminated in 1993.

Partnership Centre – A team of housing experts operating within CMHC which provides information, guidance and other tools to facilitate the production of affordable housing by non-profit organizations, private sector proponents and others.

Public Housing – Housing projects approved between 1950 and 1985 are administered by provinces and territories and, in some cases, by municipalities targeted low-income households who pay rent based on their income.

Renovation Programs – CMHC's suite of renovation programs, including:

- **Residential Rehabilitation and Assistance Program** – A CMHC program offering financial assistance to low-income households on- and off-reserve to enable them to repair their dwellings.
- **Shelter Enhancement Program** – A CMHC program providing financial assistance to repair, rehabilitate and improve existing shelters (on- and off-reserve) for women, children and youth who are victims of family violence. The program also assists in the acquisition or construction of new shelters and second stage housing.
- **Emergency Repair Program** – A CMHC program offering financial assistance to low-income homeowners or occupants in rural areas to undertake emergency repairs required for the continued safe occupancy of their house.
- **Home Adaptations for Seniors' Independence** – A CMHC initiative assisting low-income seniors living on or off reserve who have difficulties with daily living activities in the home by providing financial assistance to carry out minor home adaptations.

Repurchase and Reverse Repurchase Activity –

Transactions in which the Corporation buys securities with a commitment to resell them (securities purchased under resale agreements), or sells securities with a commitment to repurchase them (securities sold under repurchase agreements).

Securitization – The process of converting loans or other assets into financial securities which are sold into the capital markets providing investors with an interest in the pool of loans or assets underlying the security.

Swap – A form of derivative, an interest rate swap is a contractual agreement between two parties to exchange a series of cash flows, generally exchanging fixed and floating rate interest payments based on a national principal value in a single currency. In the case of a currency swap, principal amounts and fixed and floating rate interest payments are exchanged in different currencies. Swaps are generally used to reduce or eliminate interest rate risk or foreign exchange risk.

Urban Aboriginal Strategy – The aim of the Urban Aboriginal Strategy of the Government of Canada is to address the socio-economic needs for urban Aboriginal people.

Urban Native Housing – A program that provides assistance to Aboriginal non-profit organizations and Aboriginal co-op groups who own and operate rental housing projects in urban areas.

Value of a Portfolio – The concept of value and how it can change under various scenarios is central to the discussion of risk management. While there are different methods for obtaining estimates of the value of a portfolio, the meaning typically refers to the sum of the projected future cash flows of a portfolio adjusted to today's value by discounting at appropriate rates.

Volatility – A measure of the spread or dispersion of observations around the average. Statistically, volatility is defined as the standard deviation of a set of observations.

CMHC Offices

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